



**AGENDA**  
**Committee on Ways and Means**  
**Wednesday, January 20, 2016 @ 8:15 a.m.**  
**10<sup>th</sup> Floor Conference Room, City Hall**  
**UPDATED 1/15/2016 A.M.**

Councilmember Judi Brown Clarke, Chair  
Councilmember Carol Wood, Vice Chair  
Councilmember Tina Houghton, Member

- 1. Call to Order**
- 2. Roll Call**

**3. Minutes**

- December 16, 2015

**4. Public Comment on Agenda Items**

**5. Discussion/Action:**

A.) Tri-County Regional Planning Commission Audit Report for Fiscal Year 2015

**6. Place on File**

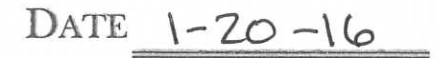
- A.) Final - City of Lansing Employees' Retirement System Actuarial Valuation for Funding Contributions as of December 31, 2014
- B.) Final - City of Lansing Police and Fire Retirement System Actuarial Valuation for Funding and Contributions as of December 31, 2014

**7. Other**

**8. Extended Agenda**

- A.) UPDATE – Structure, Policies and Procedures of the City of Lansing Internal Auditor

**9. Adjourn**





## **MINUTES**

**Committee on Ways and Means  
Wednesday, January 20, 2016 @ 8:15 a.m.  
10<sup>th</sup> Floor Conference Room, City Hall**

### **CALL TO ORDER**

The meeting was called to order at 8:19 a.m.

### **ROLL CALL**

Councilmember Judi Brown Clarke, Chair  
Councilmember Carol Wood, Vice Chair  
Councilmember Tina Houghton, Member- absent

### **OTHERS PRESENT**

Sherrie Boak, Council Staff  
Jim DeLine, Council Internal Auditor  
Joe Abood, Deputy City Attorney – arrived at 8:21 a.m.  
Mark Dotson, Deputy City Attorney- arrived at 8:21 a.m.  
Angie Bennett, Finance Director – arrived at 8:42 a.m.

### **MINUTES**

MOTION BY COUNCIL MEMBER WOOD TO APPROVE THE MINUTES FROM DECEMBER 16, 2015 AS PRESENTED. MOTION CARRIED 2-0.

### **PUBLIC COMMENT**

No public comment

### **Discussion/Action**

Tri-County Regional Planning Commission Audit Report for Fiscal Year 2015  
Council Staff will invite Sue Pigg and Greg Hoffman to the meeting on February 3<sup>rd</sup>, 2016.  
Mr. DeLine noted the bank balances as of September 30, 2015 were federally uninsured and uncollateralized in the amount of \$213,801.

### **Place on File**

Final – City of Lansing Employees' Retirement System Actuarial Valuation for Funding Contributions as of December 31, 2014.

Final – City of Lansing Police and Fire Retirement System Actuarial Valuation for Funding and Contributions as of December 31, 2014

Council Member Wood informed the Committee that the Retirement Boards were updated on January 19, 2016, and that Karen Williams in the Retirement Office has invited Gregory Stump with Boomershine Consulting Group (author of the Actuarial) to the Committee meeting on February 17, 2016. All Council will be invited and a statement on the bottom of the Committee agenda noting "*A quorum of Council may be present. Not decisions will be made*". Mr. Abood confirmed that would suffice since there is no intent or intention of Council to take action on the items.

#### **Other**

No topics.

#### **Extended Agenda**

##### **UPDATE – Structure, Policies and Procedures of the City of Lansing Internal Auditor**

The City attorneys were informed the Committee was still waiting on the definition for "performance audit" and "final report".

Mr. Abood introduced Mr. Dotson.

Council Member Wood asked for a status update on the contract that was used with Arnie Yerxo the former Internal Auditor. Council Member Brown Clarke assured the Committee she had already started meetings with Mary Riley, the new HR Director, and the Committee on Personnel will be meeting on February 3, 2016.

Council Member Wood asked law to research the 2013 contract of Mr. Yerxo, and that there should not be a gap between Mr. DeLine last day of employment, January 29, 2016 and the contract. Council Member Wood stated to Council Member Brown Clarke law should work with the Council President and it should not go thru the Committee on Personnel.

Mr. DeLine stated he did not want a gap, plans to work 2- 2 ½ days a week, and voiced his concern with turning in his ID, having email stopped, and then reactivating it all. Council Staff noted it would not be an issue. Mr. DeLine voiced a concern with projects that could be delayed. Council Member Brown Clarke stated the CAFR review and the long term debt report can be completed before his last day. Mr. DeLine asked for detailed contract with list of duties and hours.

Council Member Brown Clarke asked Law to research on start working on the contract. Council Member Wood asked law to not schedule the next Claims Review Committee until Mr. DeLine's dates have been established so he can attend.

Council Member asked Council President to have Council staff to notify the appropriate parties to no disconnect Mr. DeLine after his retirement date on his ID access, email and login. Ms. Williams in retirement handles all outgoing retirees so she will notify them to disconnect.

Council Member Brown Clarke stated it would be a short term Contract until June, 2016.

Ms. Bennett informed the Committee that any employment contract begins in HR, then Finance to sign off on to verify there are dollars in the line item and then Law before Council signs it. Council Member Wood stated that in 2013 Law helped Council write the contract and so Law should work with Law to write the contract. Ms. Bennett stated that HR has a standard format for contracts they use as jobs are added. The department, Council, then will add the scope of work.

Council Member Brown Clarke stated she will speak to Ms. Riley after this meeting and asked law to simultaneously work on the template from Mr. Yerxo. The topic will be discussed at the Committee on Personnel then to Council for adoption of the Resolution.

**ADJOURN**

Adjourn at 8:49 a.m.

Submitted by,

Sherrie Boak, Recording Secretary

Lansing City Council

Approved by the Committee on February 17, 2016

DRAFT



## **MINUTES**

**Committee on Ways and Means  
Wednesday, December 16, 2015 @ 9:00 a.m.  
10<sup>th</sup> Floor Conference Room, City Hall**

### **CALL TO ORDER**

The meeting was called to order at 9:13 a.m.

### **ROLL CALL**

Councilmember Judi Brown Clarke, Chair  
Councilmember Carol Wood, Vice Chair  
Councilmember Vincent Delgado, Member

### **OTHERS PRESENT**

Sherrie Boak, Council Staff  
Jim DeLine, Council Internal Auditor  
Lt. Ballor, LPD

### **MINUTES**

MOTION BY COUNCIL MEMBER DELGADO TO APPROVE THE MINUTES FROM DECEMBER 8, 2015 AS PRESENTED. MOTION CARRIED 3-0.

### **PUBLIC COMMENT**

No public comment

### **Discussion/Action**

#### **Sole Source Purchase; Lansing Police Department Promotional Process Testing, Empco, Inc.**

Lt. Ballor noted this was for the 2016-2017 promotional process for the ranks of Sergeant and Detective in 2016 and Lieutenant and Captain in 2017. Empco has done this process since 2003, are Michigan based and created the testing process. This allows for an impartial party involvement. This approval will allow them to perform these duties from 2015-2017 and the department could possibly do an RFP. Council Member Delgado asked the importance Of Michigan based, and Lt. Ballor noted travel was a huge part, but Council Member Wood added that there was a Mayor's Executive Order that stated when spending funds; the City would first look to Michigan, which goes back to 2008. Council Member Brown asked if it would be cost beneficial in the future to combine with other agencies, and Lt. Ballor noted that some agencies do not do promotions for Detectives, and some only do Sgt. Promotions.

## DRAFT

MOTION BY COUNCIL MEMBER WOOD TO RECEIVE THE SOLE SOURCE DOCUMENTS AND PLACE ON FILE. MOTION CARRIED 3-0.

### **Extended Agenda**

#### **UPDATE – Structure, Policies and Procedures of the City of Lansing Internal Auditor**

Mr. DeLine reference his recent report dated December 16, 2015 which only addressed “Policies and Procedures for Reports” Section out of his original report dated November 4, 2015 and November 18, 2015. In the recent report it was noted that the “red” were items requested by Committee on December 8<sup>th</sup> and the “blue” was suggestions from him for discussion at this meeting. The only outstanding item is still the “addition of the definition of Performance Audit” that was being provided by Law, however not received yet. In this document Mr. DeLine inserted a definition he found. Council Member Delgado referenced item v.3.a/b/c in this document and noted it should be stated and done simultaneously. Council Member Wood added it should also state the background on the audit which should include the reason for the audit. Council Member Delgado asked that the Committee consider also where the “charge” for the audit should come from, whether a specific Committee or group, with belief that if there is no “charge” and instigated by the Auditor their integrity would be called into question. Council Member Wood dis-agreed reminding Council Member Delgado this is a Council Administrative Office position, not an elected Council office. Council Member Delgado cited his reasoning that it is easier for Council to make the decision to start an audit, that way if it is hinted for research by doing an audit, the Auditor can go to that Committee, and then those elected officials can take the “charge” to direct the Auditor to perform the audit. Council Member Wood clarified that the auditor position is a Charter required position, whose whole purpose is because there are issues or the public want them to look into things. There could be a preliminary investigation done, and then look to the Committee to layout the steps to see if they need to look further. Or the preliminary investigation could determine they do not need to look further.

Council Member Brown Clarke asked the Mr. DeLine research with the similar communities in what do they do with instigated concerns, how is it instigated, preliminary options, and what happens then, and is it public record. What does their format look like? Council Member Delgado reminded Mr. DeLine of the Association standards he had send him earlier which gave examples of different processes for performance based audits and fraud audits. Council Member Brown Clarke asked that he also research what they determined what is supposed to be the role of each person? The Committee discussed how to protect the individuals doing the investigation, and the determined the reports should be “draft” and state “privileged and confidential”, and include an opinion of the City Attorney. Mr. DeLine added he will include that the procedure for an audit will also include potential law enforcement involvement. Consensus of the Committee was that these procedures need to be finalized in writing so it does not matter who is in Leadership, they will be the same across the board. There should be a structure to determined audit.

Council Member Brown Clarke stated she will work with Mr. DeLine and Council Staff to create a report to present to the new Committee members in 2016 to offer the status of where the Committee had gone so far.

MOTION BY COUNCIL MEMBER WOOD TO ACCEPT THE CHANGES IN THE DECEMBER 16<sup>TH</sup>, 2015 INTERNAL AUDITOR MEMO IN “BLUE” AND “RED” WITH PENDING ITEM FROM LAW ON THE DEFINITION OF *PERMORMANCE AUDIT*. MOTION CARRIED 3-0.

The consensus was that Council Member Brown Clarke as Committee Chairperson will attend the first Ways and Means in 2016 and present these Committees findings on this topic. The

## DRAFT

only other topic for year end with this Committee was the "Tie-Bar" memo which they are waiting on only a copy of after released from the Mayor's office.

The Committee reviewed the presented "Three –Year Calendar", and added to January "Throughout the year attend the Financial Health Team meetings and sub-committee meetings then provide a written report monthly to Council, and a quarterly report that summarizes."

Mr. DeLine was informed the sub-committees include Long Term Liability, Legacy Costs, and Sustainability.

Mr. DeLine asked that the Committee add to the Calendar that he attend the Committee on Ways and Means, and the Committee consensus was not to add it, that it was already understood just as Claims Review Committee and LEPFA that are not in the Calendar. The calendar consists of "outside of the normal" items.

MOTION BY COUNCIL MEMBER WOOD TO ACCEPT THE THREE-YEAR CALENDAR WITH THE ADDITION OF THE FINANICAL HEALTH TEAM ITEM AS THE WORK PLAN FOR THE NEXT THREE YEARS. MOTION CARRIED 3-0.

### **ADJOURN**

Adjourn at 10:18 a.m.

Submitted by,

Sherrie Boak, Recording Secretary

Lansing City Council

Approved by the Committee on\_\_\_\_\_





# TRI-COUNTY REGIONAL PLANNING COMMISSION

Planning for People in the Greater Lansing Region Since 1956

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## 2015 OFFICERS

### CHAIRPERSON

David Pohl, Clinton County

### VICE-CHAIRPERSON

Kenneth Fletcher, Eaton County

### TREASURER

Shirley M. Rodgers, City of Lansing

### SECRETARY

Brian McGrain, Ingham County

### TRI-COUNTY COMMISSIONERS

Kent Austin

Teri Banas

Judi Brown Clarke

Shanna Draheim

Roger Eakin

Kenneth Fletcher

Kara Hope

Denise Jackson

Robin Lewis

Brian McGrain

David Pohl

Shirley M. Rodgers

Howard Spence

Adam Stacey

Chris Swope

Darrell Tennis

John Veenstra

Gail Watkins

Jessica Yorko

### EX-OFFICIO

City of Lansing Mayor

Clinton, Eaton and Ingham County

Chairpersons

### EXECUTIVE DIRECTOR

Susan M.C. Pigg, CECD

December 18, 2015

Mr. Chris Swope  
City Clerk, City of Lansing  
City Hall  
124 W. Michigan  
Lansing, MI 48933

Dear Mr. Swope:

In accordance with our Bylaws, we are submitting the audit report for the fiscal year 2015 for the Tri-County Regional Planning Commission.

If you have any questions, please feel free to contact us.

Sincerely,

  
Greg Hoffman  
Finance Director

Encl.

AUDIT LTR 2015

3135 Pine Tree Road, Suite 2C  
Lansing, MI 48911  
(517) 393-0342 • Fax: 393-4424

[www.mitrpc.org](http://www.mitrpc.org)

[reception@mitrpc.org](mailto:reception@mitrpc.org)

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**Tri-County Regional Planning Commission  
Lansing, Michigan**

**FINANCIAL STATEMENTS**

**September 30, 2015**

Tri-County Regional Planning Commission

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September 30, 2015

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## Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Tri-County Regional Planning Commission  
Lansing, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of Tri-County Regional Planning Commission (the Commission) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### ***Managements Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Commission as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

November 30, 2015

Tri-County Regional Planning Commission  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2015

This is part of the Tri-County Regional Planning Commission (TCRPC) annual financial report. It presents discussion and analysis of the Commission's financial performance during the fiscal year that ended September 30, 2015. Please read it in conjunction with the attached financial statements.

**Financial Highlights**

Our FY 2015 financial status slightly improved from the prior year. Net position increased by \$3,722 compared to 2014 increases of \$58,538 and 2013 increases of \$40,398. Total Net Position is now \$561,615 of which \$25,530 represents capital assets. This net position will be used for operating cash-flow, match for federal funding that was not spent this year, future program shortfalls and capital asset purchases. See tables 1 and 2 below.

**Table 1  
Summarized Statements of Net Position  
Governmental Activities**

	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013
Current assets	\$ 1,071,410	\$ 992,206	\$ 782,104
Capital assets, net	<u>25,530</u>	<u>35,033</u>	<u>28,337</u>
Total assets	1,096,940	1,027,239	810,441
Current liabilities	<u>535,325</u>	<u>469,346</u>	<u>311,086</u>
Net investment in capital assets	25,530	35,033	28,337
Unrestricted	<u>536,085</u>	<u>522,860</u>	<u>471,018</u>
Total net position	<u>\$ 561,615</u>	<u>\$ 557,893</u>	<u>\$ 499,355</u>

**Table 2  
Changes in Net Position  
Governmental Activities**

	2015	2014	2013
Net position, October 1	\$ 557,893	\$ 499,355	\$ 458,957
Results of operations	3,722	58,154	37,646
Prior period adjustments	<u>-</u>	<u>384</u>	<u>2,752</u>
Total changes in net position	<u>3,722</u>	<u>58,538</u>	<u>40,398</u>
Net position, September 30	<u>\$ 561,615</u>	<u>\$ 557,893</u>	<u>\$ 499,355</u>

For 2015, 2014, and 2013 overall revenues were \$1,836,652, \$2,902,843, and \$2,500,938 respectively and overall expenses were \$1,832,930, \$2,844,689, and \$2,463,292 respectively, as reported in the statements of activities.

Tri-County Regional Planning Commission  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2015

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Commission's fund. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources. Tri-County Regional Planning Commission has the following Governmental fund:

*General Operating Fund* - The Commission's activities are accounted for in the general fund.

This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the government wide statements and the fund statements are disclosed in the reconciling financial statements to explain the differences between them.

**Financial Analysis of the Commission as a Whole**

**Net Position** - The Commission's net position increased during the year ended September 30, 2015, by \$3,722. Total unrestricted net position was \$536,085 at year end. The unrestricted net position will be used for operating cash-flow, future program shortfalls, and capital asset purchases.

**Liabilities** - The Commission's liabilities increased by \$65,979. This was due to increases in accounts payable and unearned revenues.

**Financial Analysis of the Commission's Fund**

Amendments to our budget for the year ended September 30, 2015, were to add projects and cover changes in certain operational expenditures.

**General Fund Budgetary Highlights**

The Commission adopts an annual budget for the General Fund. A budgetary comparison statement has been provided as required supplementary information to demonstrate compliance with this budget.

Federal source and state source revenue were \$160,672 and \$91,088 lower than anticipated, respectively and local source revenue was \$74,933 higher than anticipated. Although the final expenditure budget increased from the original budget, the final budget exceeded actual expenditures by \$167,938.

**Capital Assets**

The following is a summary of capital assets and the associated accumulated depreciation:

	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013
Furniture and equipment	\$ 191,055	\$ 191,055	\$ 190,463
Less: Accumulated depreciation	<u>(165,525)</u>	<u>(156,022)</u>	<u>(162,126)</u>
Net capital assets	<u>\$ 25,530</u>	<u>\$ 35,033</u>	<u>\$ 28,337</u>

The capital assets of the Commission consist exclusively of office furniture and equipment. The Commission has implemented a capitalization policy consistent with MDOT and federal funding that require all items, other than buildings, building improvements and land improvements, purchased having a useful life in excess of one year and an individual cost of more than \$5,000 be capitalized and depreciated. The capitalization threshold for buildings and building improvements is \$50,000 and \$25,000 for land improvements. There were no additions to capital assets purchased in the current fiscal year. Note D to the financial statements provides additional information regarding capital assets.

## **BASIC FINANCIAL STATEMENTS**



Tri-County Regional Planning Commission

STATEMENT OF ACTIVITIES

Year Ended September 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental activities			
Planning programs	<u>\$ 1,832,930</u>	<u>\$ 1,457,734</u>	\$ (375,196)
	General revenues		
	Member allocations		377,850
	Investment earnings		942
	Miscellaneous		<u>126</u>
	Total general revenues		<u>378,918</u>
	Change in net position		3,722
	Net position, beginning of the year		<u>557,893</u>
	Net position, end of the year		<u>\$ 561,615</u>

See accompanying notes to financial statements.

Tri-County Regional Planning Commission

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

September 30, 2015

**Total fund balance - governmental fund** \$ 536,085

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	\$ 191,055
Accumulated depreciation is	<u>(165,525)</u>

Capital assets, net	<u>25,530</u>
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<b>Net position of governmental activities</b>	<u><u>\$ 561,615</u></u>
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Tri-County Regional Planning Commission

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL  
FUND TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2015

<b>Net change in fund balance - governmental fund</b>	<b>\$ 13,225</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	<u>(9,503)</u>
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<b>Change in net position of governmental activities</b>	<b><u>\$ 3,722</u></b>
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Tri-County Regional Planning Commission

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**- CONTINUED**

4. Basis of Accounting - continued

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the Commission before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenses.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The length of time used to define "available" for purposes of revenue recognition in the governmental fund financial statements is sixty (60) days. Revenues susceptible to accrual include property taxes, state aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded when due.

Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when the Commission receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for unavailable revenue is removed from the balance sheet and revenue is recognized.

If/when both restricted and unrestricted resources are available for use, it is the Commission's practice to use restricted resources first, then unrestricted resources as they are needed.

5. Budgets and Budgetary Accounting

The overall budget is based upon individual projects and the general operating fund budgets. Budgeted amounts are as originally adopted, and may be amended by the Commission. Net individual budget amendments were not material in relation to the originally approved amounts. Budgets lapse at the end of the fiscal year.

6. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) and are those assets with an initial individual cost of \$50,000 for buildings and building improvements, \$25,000 for land improvements, and \$5,000 for all other assets and an estimated useful life of more than one year. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Infrastructure	20-100 years
Buildings and building improvements	20-50 years
Vehicles	4-15 years
Furniture and equipment	5-7 years

Tri-County Regional Planning Commission

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

**NOTE B: CASH**

In accordance with Michigan Compiled Laws, the Commission is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers' acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

**Deposits**

There is a custodial risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. As of September 30, 2015, the carrying amounts and bank balances for the accounts were as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking	\$ 28,159	\$ 26,674
Savings	689,125	689,125
	<u>\$ 717,284</u>	<u>\$ 715,799</u>

Deposits of the Commission are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Commission. The bank balances as of September 30, 2015, were federally insured for \$501,998 and the amount of \$213,801 was uninsured and uncollateralized. The cash caption on the financial statements includes \$150 of imprest cash.

**Credit risk**

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of September 30, 2015, the Commission did not have any investments that would be subject to rating.

Tri-County Regional Planning Commission

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

**NOTE D: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance Oct. 1, 2014	Additions	Disposals	Balance Sept. 30, 2015
Capital assets being depreciated				
Furniture and equipment	\$ 191,055	\$ -	\$ -	\$ 191,055
Less accumulated depreciation for:				
Furniture and equipment	(156,022)	(9,503)	-	(165,525)
Net capital assets	<u>\$ 35,033</u>	<u>\$ (9,503)</u>	<u>\$ -0-</u>	<u>\$ 25,530</u>

**NOTE E: LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations (including current portion) of the Commission for the year ended September 30, 2015.

	Balance Oct. 1, 2014	Earned	Used	Balance Sept. 30, 2015	Amount Due Within One Year
Compensated absences	<u>\$ 32,920</u>	<u>\$ 128,902</u>	<u>\$ (129,078)</u>	<u>\$ 32,744</u>	<u>\$ 32,744</u>

Vacation leave is earned in varying amounts depending on the number of years of service of an employee and is made available on the anniversary date of the employee.

Upon termination, an employee receives payment for the balance of unused vacation leave, which is credited to an employee each month.

**NOTE F: RETIREMENT PLAN**

The Commission provides pension benefits for all non-temporary employees through a defined contribution plan, which was established by the Board of Commissioners and may be amended from time to time by the Board. This plan is administered by the Michigan Municipal Employees Retirement System. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Commission's contributions are vested at a graded rate based on year of service.

Years of Service	Vesting Percentage
1	0%
2	20
3	40
4	60
5	80
6	100

The employer is required to contribute 9% of all covered payroll. Required contributions to the plan were \$65,032, covered payroll was \$721,306, and total payroll was \$721,306 during the fiscal year. Contributions to the plan during the fiscal year were \$65,032.

Tri-County Regional Planning Commission

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

**NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED**

*Nonspendable* - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

*Restricted* - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

*Assigned* - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

*Unassigned* - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

**Fund Balance Classification Policies and Procedures**

For committed fund balance, the Commission's highest level of decision-making authority is the Board of Commissioners. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the Board of Commissioners.

For assigned fund balance, the Commission has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is retained with the Board of Commissioners.

The Commission has not formally adopted a policy that determines when both restricted and unrestricted fund balances are available which should be used first, therefore restricted resources will be used first, then unrestricted resources if they are needed.

**NOTE L: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In March 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted for the 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2015-2016 fiscal year.

## REQUIRED SUPPLEMENTARY INFORMATION



Tri-County Regional Planning Commission

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Community and economic development - continued				
Special projects	\$ 109,100	\$ 87,100	\$ 67,674	\$ 19,426
Consultant fee	75,868	125,868	123,082	2,786
Contractual services	116,300	66,300	2,500	63,800
Furniture/equipment purchases	15,100	15,100	14,774	326
Audit	9,500	9,200	9,200	-0-
Pass-through	84,027	280,059	247,968	32,091
TOTAL EXPENDITURES	<u>1,933,836</u>	<u>1,991,365</u>	<u>1,823,427</u>	<u>167,938</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	21,046	13,225	(7,821)
OTHER FINANCING SOURCES (USES)				
Transfer for local match	(238,439)	(241,664)	(202,312)	39,352
Operating transfers in local match	<u>238,439</u>	<u>241,664</u>	<u>202,312</u>	<u>(39,352)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	-0-	21,046	13,225	(7,821)
Fund balance, beginning of year	<u>522,860</u>	<u>522,860</u>	<u>522,860</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 522,860</u>	<u>\$ 543,906</u>	<u>\$ 536,085</u>	<u>\$ (7,821)</u>

## **OTHER SUPPLEMENTARY INFORMATION**

Tri-County Regional Planning Commission

SCHEDULE OF COMMISSION REVENUES AND EXPENDITURES (UNAUDITED)

Year Ended September 30, 2015

	Operating	Indirect	Special Projects Direct	Total	Eliminations	Total
<b>REVENUES</b>						
Federal sources	\$ -	\$ -	\$ 948,242	\$ 948,242	\$ -	\$ 948,242
State sources	-	-	82,546	82,546	-	82,546
Local sources	-	-	426,946	426,946	-	426,946
Member allocations	377,850	-	-	-0-	-	377,850
Interest	942	-	-	-0-	-	942
Operating transfers in local match	-	-	202,312	202,312	(202,312)	-0-
Other	9,629	-	-	-0-	(9,503)	126
<b>TOTAL REVENUES</b>	<b>388,421</b>	<b>-0-</b>	<b>1,680,046</b>	<b>1,660,046</b>	<b>(211,815)</b>	<b>1,836,652</b>
<b>EXPENDITURES</b>						
Direct costs						
Salaries and wages	61,577	167,424	492,305	659,729	-	721,306
Fringe benefits	34,330	93,339	274,473	367,812	-	402,142
Discretionary funds	4,936	-	-	-0-	-	4,936
Telephone	-	3,188	-	3,188	-	3,188
Postage	867	1,000	839	1,839	-	2,706
Printing and copying	2,391	2,453	12,212	14,665	-	17,056
Office supplies	47	7,448	3,402	10,850	-	10,897
Graphic supplies	58	718	98	816	-	874
Travel - in region	62	5,336	11,463	16,799	-	16,861
Travel - out region	497	5,475	16,005	21,480	-	21,977
Training	1,552	5,254	2,026	7,280	-	8,832
Commission meeting expenses	1,887	-	-	-0-	-	1,887
Commission travel	75	-	-	-0-	-	75
Rent - meeting facility	-	-	232	232	-	232
Rent - office	-	65,722	-	65,722	-	65,722
Equipment maintenance	-	1,732	-	1,732	-	1,732
Computer services	-	30,312	1,267	31,579	-	31,579
Computer software	-	9,761	12,090	21,851	-	21,851
Insurance	-	7,833	-	7,833	-	7,833
Bank service charges	763	26	-	26	-	789
Subscriptions	-	432	22	454	-	454
Publications	-	71	33	104	-	104
Advertising	25	3,180	1,567	4,747	-	4,772
Depreciation	-	9,503	-	9,503	(9,503)	-0-
Membership dues	395	6,419	3,610	10,029	-	10,424
Special projects	-	-	67,674	67,674	-	67,674
Consultant fee	-	-	123,082	123,082	-	123,082
Contractual services	-	-	2,500	2,500	-	2,500
Furniture/equipment purchases	14,774	-	-	-0-	-	14,774
Audit	-	9,200	-	9,200	-	9,200
Pass-through	-	-	247,968	247,968	-	247,968
Transfer for match	202,312	-	-	-0-	(202,312)	-0-
Indirect costs	48,648	(435,826)	387,178	(48,648)	-	-0-
<b>TOTAL EXPENDITURES</b>	<b>375,196</b>	<b>-0-</b>	<b>1,660,046</b>	<b>1,660,046</b>	<b>(211,815)</b>	<b>1,823,427</b>
<b>NET REVENUES OVER EXPENDITURES</b>	<b>\$ 13,225</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 13,225</b>

MID-MICHIGAN WATER AUTHORITY 2014 (30700)	MID-MICHIGAN WATER AUTHORITY 2015 (30800)	MSU WATER RESEARCH - MANAGEMENT PLAN FOR RED CEDAR (31100)	REGIONAL PROSPERITY GRANT (31300)	REGIONAL PROSPERITY GRANT (31310)	EDA PLANNING GRANT (31400)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,429
-	-	-	-	-	-
2,112	2,522	6,656	41,422	41,503	-
2,112	2,522	6,656	41,422	41,503	58,429
-	-	-	-	-	58,429
2,112	2,522	6,656	41,422	41,503	116,858
925	1,098	2,914	12,327	354	45,018
516	612	1,625	6,872	198	25,098
-	-	-	-	-	2
-	6	3	14	2,285	93
-	-	-	-	-	-
-	-	-	-	-	-
-	5	-	121	134	2,769
-	-	-	59	-	4,895
-	-	-	-	-	500
-	-	-	-	-	232
-	-	-	-	443	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	22
-	-	-	-	-	-
-	-	-	-	-	630
-	-	-	8,000	8,850	700
-	-	-	-	12,000	-
-	-	-	-	-	-
-	-	-	5,000	15,650	-
671	801	2,114	9,029	1,589	36,899
2,112	2,522	6,656	41,422	41,503	116,858
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

SURFACE TRANSPORTATION PROGRAM GRANT (32800)	FTA GRANT SECTION 5303 FUNDS (33000)	STATE PLANNING AND RESEARCH (34000)	ASSISTANCE TO: MDOT OFFICE OF PASSENGER TRANSPORTATION (34500)	HUD SUSTAINABLE COMMUNITIES REGIONAL PLANNING GRANT PROGRAM (35000)	TOTAL
\$ 73,562	\$ 170,001	\$ 15,200	\$ -	\$ 313,758	\$ 948,242
-	-	3,800	5,000	-	82,546
-	-	-	-	-	426,946
73,562	170,001	19,000	5,000	313,758	1,457,734
31,020	42,488	-	-	-	202,312
104,582	212,489	19,000	5,000	313,758	1,660,046
-	81,438	8,122	2,187	55,658	492,305
-	45,403	4,529	1,220	31,030	274,473
-	53	15	-	525	839
-	2,847	53	5	588	12,212
-	115	-	-	985	3,402
-	-	-	-	98	98
-	1,410	242	-	953	11,463
-	1,990	-	-	2,387	16,005
-	290	-	-	-	2,026
-	-	-	-	-	232
-	167	-	-	-	1,267
-	3,811	-	-	-	12,090
-	9	3	-	-	33
-	-	-	-	-	22
-	506	-	-	-	1,567
-	656	-	-	90	3,610
-	6,554	-	-	17,929	67,674
104,582	1,936	-	-	-	123,082
-	745	-	-	-	2,500
-	-	-	-	160,538	247,968
-	64,559	6,036	1,588	42,977	387,178
104,582	212,489	19,000	5,000	313,758	1,660,046
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Tri-County Regional Planning Commission

SCHEDULE OF PROJECT REVENUES AND EXPENDITURES (UNAUDITED)

WELLHEAD: MULTI - MUNICIPALITIES

Project period October 1, 2014 through September 30, 2015

MULTI - MUNICIPALITIES - Cash (30500)

REVENUES

Local

Cash received

\$ 47,399

EXPENDITURES

Direct costs

Salaries

\$ 20,760

Fringe benefits

11,574

Printing and copying

8

Indirect costs

15,057

TOTAL EXPENDITURES

\$ 47,399

Tri-County Regional Planning Commission

SCHEDULE OF PROJECT REVENUES AND EXPENDITURES (UNAUDITED)

GREATER LANSING REGIONAL COMMITTEE (GLRC) 2015

Project period January 1, 2015 through December 31, 2015

VARIOUS MUNICIPALITIES - Cash (30300)

	Jan. 1, 2015 through Sept. 30, 2015
<b>REVENUES</b>	
Local	
Cash received	\$ 101,873
Unearned revenue - current year	(39,261)
Unearned revenue - prior year	<u>30,165</u>
<b>TOTAL REVENUES</b>	<u><u>\$ 92,777</u></u>
<b>EXPENDITURES</b>	
Direct costs	
Salaries	\$ 38,370
Fringe benefits	21,392
Printing and copying	65
Travel - in region	1,038
Travel - out region	634
Computer services	2
Membership dues	65
Special projects	2,548
Indirect costs	<u>28,663</u>
<b>TOTAL EXPENDITURES</b>	<u><u>\$ 92,777</u></u>

Tri-County Regional Planning Commission

SCHEDULE OF PROJECT REVENUES AND EXPENDITURES (UNAUDITED)

MID-MICHIGAN WATER AUTHORITY 2014

Project period January 1, 2014 through December 31, 2014

VARIOUS MUNICIPALITIES - Cash (30700)

	Jan. 1, 2014 through Sept. 30, 2014	Oct. 1, 2014 through Dec. 31, 2014	Jan. 1, 2014 through Dec. 31, 2014
<b>REVENUES</b>			
Local			
Accounts receivable - current year	\$ -	\$ 2,112	\$ 2,112
Accounts receivable - prior year	<u>1,594</u>	<u>-</u>	<u>1,594</u>
<b>TOTAL REVENUES</b>	<u><u>\$ 1,594</u></u>	<u><u>\$ 2,112</u></u>	<u><u>\$ 3,706</u></u>
<b>EXPENDITURES</b>			
Direct costs			
Salaries	\$ 702	\$ 925	\$ 1,627
Fringe benefits	383	516	899
Postage	7	-	7
Printing and copying	4	-	4
Indirect costs	<u>498</u>	<u>671</u>	<u>1,169</u>
<b>TOTAL EXPENDITURES</b>	<u><u>\$ 1,594</u></u>	<u><u>\$ 2,112</u></u>	<u><u>\$ 3,706</u></u>



Tri-County Regional Planning Commission

SCHEDULE OF PROJECT REVENUES AND EXPENDITURES (UNAUDITED)

MSU WATER RESEARCH - MANAGEMENT PLAN FOR THE RED CEDAR

Project period February 1, 2012 through January 31, 2015

VARIOUS MUNICIPALITIES - Cash (31100)

	Feb. 1, 2012 through Sept. 30, 2014	Oct. 1, 2014 through Jan. 31, 2015	Feb. 1, 2012 through Jan. 31, 2015
REVENUES			
Local			
Cash received	<u>\$ 47,092</u>	<u>\$ 6,656</u>	<u>\$ 53,748</u>
EXPENDITURES			
Direct costs			
Salaries	\$ 20,848	\$ 2,914	\$ 23,762
Fringe benefits	10,640	1,625	12,265
Printing and copying	49	3	52
Travel - in region	471	-	471
Indirect costs	<u>15,084</u>	<u>2,114</u>	<u>17,198</u>
TOTAL EXPENDITURES	<u>\$ 47,092</u>	<u>\$ 6,656</u>	<u>\$ 53,748</u>

Tri-County Regional Planning Commission

SCHEDULE OF PROJECT REVENUES AND EXPENDITURES (UNAUDITED)

REGIONAL PROSPERITY GRANT

Project period June 1, 2014 through December 31, 2014

VARIOUS MUNICIPALITIES - Cash (31310)

	June 1, 2014 through Sept. 30, 2014	October 1, 2014 through Dec. 31, 2014	June 1, 2014 through Dec. 31, 2014
<b>REVENUES</b>			
Local			
Cash received	\$ 155,300	\$ -	\$ 155,300
Unearned revenue - current year	<u>(41,503)</u>	<u>41,503</u>	<u>-0-</u>
<b>TOTAL REVENUES</b>	<u><b>\$ 113,797</b></u>	<u><b>\$ 41,503</b></u>	<u><b>\$ 155,300</b></u>
<b>EXPENDITURES</b>			
Salaries	\$ 22,805	\$ 354	\$ 23,159
Fringe benefits	12,453	198	12,651
Telephone	10	-	10
Printing and copying	22	2,285	2,307
Travel - in region	411	134	545
Travel - out region	280	-	280
Computer service	-	443	443
Special projects	35,450	8,850	44,300
Consultant fee	-	12,000	12,000
Pass-through	26,000	15,650	41,650
Indirect costs	<u>16,366</u>	<u>1,589</u>	<u>17,955</u>
<b>TOTAL EXPENDITURES</b>	<u><b>\$ 113,797</b></u>	<u><b>\$ 41,503</b></u>	<u><b>\$ 155,300</b></u>

Tri-County Regional Planning Commission

SCHEDULE OF PROJECT REVENUES AND EXPENDITURES (UNAUDITED)

AERIAL PHOTOGRAPHY

Project period February 1, 2015 through December 31, 2015

VARIOUS MUNICIPALITIES - Cash (312)

	Feb. 1, 2015 through Sept. 30, 2015
REVENUES	
Local	
Cash received	\$ 169,266
Unearned revenue - current year	<u>(106,998)</u>
TOTAL REVENUES	<u>\$ 62,268</u>
EXPENDITURES	
Pass-through	<u>\$ 62,268</u>

Tri-County Regional Planning Commission

SCHEDULE OF PROJECT REVENUES AND EXPENDITURES (UNAUDITED)

MDOT GRANT: ASSET MANAGEMENT

Project period October 1, 2014 through September 30, 2015

MDOT CONTRACT NO. 2015-0022/Z1 (32300)

MDOT - \$33,786 Cash

REVENUES

State of Michigan

Cash

\$ 2,399

Accounts receivable

31,247

TOTAL REVENUES

\$ 33,646

EXPENDITURES

Direct costs

Salaries

\$ 11,020

Fringe benefits

6,144

Office supplies

1,988

Travel - in region

140

Travel - out region

30

Special projects

817

Pass-through

4,512

Indirect costs

8,995

TOTAL EXPENDITURES

\$ 33,646

Tri-County Regional Planning Commission

SCHEDULE OF PROJECT REVENUES AND EXPENDITURES (UNAUDITED)

SURFACE TRANSPORTATION PROGRAM GRANT

Project period October 1, 2014 through September 30, 2015

FHWA CONTRACT NO. 2015-0011/Z3 and 2015-0011/Z4 (32800)

FHWA - \$273,968 Cash

TCRPC - \$82,274 Cash

REVENUES

Federal grant

Cash received

\$ 23,976

Accounts receivable

49,586

TOTAL REVENUES

73,562

OTHER FINANCING SOURCES

Operating transfers in

Local match

31,020

TOTAL REVENUES AND

OTHER FINANCING SOURCES

\$ 104,582

EXPENDITURES

Direct costs

Consultants

\$ 104,582

Tri-County Regional Planning Commission

SCHEDULE OF PROJECT REVENUES AND EXPENDITURES (UNAUDITED)

STATEWIDE PLANNING AND RESEARCH

Project period October 1, 2014 through September 30, 2015

MDOT CONTRACT NO. 2015-0022/Z3 (34000)

FHWA - \$15,200 Cash

MDOT - \$3,800 Cash

REVENUES

Federal grant

Cash received \$ 8,111

Accounts receivable 7,089

State of Michigan

Cash received 2,028

Accounts receivable 1,772

TOTAL REVENUES \$ 19,000

EXPENDITURES

Direct costs

Salaries \$ 8,122

Fringe benefits 4,529

Postage 15

Printing and copying 53

Travel - in region 242

Publications 3

Indirect costs 6,036

TOTAL EXPENDITURES \$ 19,000

Tri-County Regional Planning Commission

SCHEDULE OF PROJECT REVENUES AND EXPENDITURES (UNAUDITED)

HUD SUSTAINABLE COMMUNITIES REGIONAL PLANNING GRANT PROGRAM

Project period February 1, 2012 through April 30, 2015

HUD COOPERATIVE AGREEMENT NO. MIRIP0056-11 (35000)

HUD - \$3,000,000

	Feb. 1, 2012 through Sept. 30, 2014	Oct. 1, 2014 through April 30, 2015	Feb. 1, 2012 through April 30, 2015
<b>REVENUES</b>			
Federal grant			
Cash received - current year	\$ -	\$ 313,758	\$ 313,758
Cash received - prior year	2,079,612	418,371	2,497,983
Accounts receivable - prior year	606,630	(418,371)	188,259
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL REVENUES</b>	<u><u>\$ 2,686,242</u></u>	<u><u>\$ 313,758</u></u>	<u><u>\$ 3,000,000</u></u>
<b>EXPENDITURES</b>			
Direct costs			
Salaries	\$ 161,163	\$ 55,658	\$ 216,821
Fringe benefits	85,236	31,030	116,266
Telephone	110	-	110
Postage	2,088	525	2,613
Printing and copying	3,311	588	3,899
Office supplies	3,933	985	4,918
Graphic supplies	718	98	816
Travel - in region	9,712	953	10,665
Travel - out region	9,381	2,387	11,768
Training	845	-	845
Rent of facility/equipment	3,209	-	3,209
Computer services	824	-	824
Subscriptions/publications	161	-	161
Advertising	241	-	241
Membership dues	553	90	643
Special projects	98,801	17,929	116,730
Pass-through	2,171,190	160,538	2,331,728
Indirect costs	134,766	42,977	177,743
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL EXPENDITURES</b>	<u><u>\$ 2,686,242</u></u>	<u><u>\$ 313,758</u></u>	<u><u>\$ 3,000,000</u></u>

MSU WATER RESEARCH (31100)	REGIONAL PROSPERITY GRANT 2014 (31310)	FHWA PL FUNDS (32100)	MDOT GRANT: ASSET MANAGEMENT (32300)	REGIONAL TRANSPORTATION CONTRACT (32400)
\$ 53,748	\$ 155,300	\$ 387,667	\$ 33,646	\$ 40,100
<u>53,748</u>	<u>155,300</u>	<u>70,375</u>	<u>-</u>	<u>-</u>
-0-	-0-	317,292	33,646	40,100
<u>0%</u>	<u>0%</u>	<u>82%</u>	<u>100%</u>	<u>100%</u>
-	-	317,292	33,646	40,100
<u>-</u>	<u>-</u>	<u>179,747</u>	<u>2,399</u>	<u>19,934</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 137,545</u>	<u>\$ 31,247</u>	<u>\$ 20,166</u>



HOUSING AND  
URBAN  
DEVELOPMENT  
(35000)

---

\$ 3,000,000

---

-

3,000,000

---

100%

3,000,000

---

2,811,741

---

\$ 188,259

---

Tri-County Regional Planning Commission

ANALYSIS OF INDIRECT COST RATE (UNAUDITED)

Year Ended September 30, 2015

	<u>Indirect Base</u>	<u>Indirect Base</u>
Total expenditures	\$ -	\$ 2,035,242
Direct expenditures	1,599,416	(1,599,416)
Less:		
Discretionary funds	(4,936)	-
Special projects	(67,674)	-
Consultant fee	(123,082)	-
Contractual services	(2,500)	-
Furniture/equipment purchases	(14,774)	-
Pass-through	(247,968)	-
Match	(202,312)	-
	<u>\$ 936,170</u>	<u>\$ 435,826</u>
Indirect cost rate (indirect costs as a part of indirect base)	46.55%	

Tri-County Regional Planning Commission  
SCHEDULE OF FRINGE BENEFITS (UNAUDITED)

Year Ended September 30, 2015

Social security	\$ 54,455
Unemployment taxes	4,916
Pension contributions	68,643
Health insurance	242,177
Dental insurance	19,688
Group life insurance	7,694
Employee assistance program	342
Workers compensation insurance	3,134
Fringe benefits miscellaneous	<u>1,093</u>
Total fringe benefits	<u>\$ 402,142</u>
Salaries and wages for the year ended September 30, 2015	<u>\$ 721,306</u>
Fringe benefit rate - All employees	55.75%

FTA PL 2015-0011/Z2 (33000)			MDOT # 2015-0022/Z2 (32400)		
BUDGET	EXPENDED	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	EXPENDED	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 89,295	\$ 69,703	\$ 19,592	\$ 5,000	\$ 6,489	\$ (1,489)
97,885	68,704	29,181	19,000	16,954	2,046
3,483	1,033	2,450	500	148	352
44,744	35,678	9,066	10,000	11,300	(1,300)
16,764	9,487	7,277	4,600	4,022	578
22,469	27,884	(5,415)	1,000	1,187	(187)
<u>\$ 274,640</u>	<u>\$ 212,489</u>	<u>\$ 62,151</u>	<u>\$ 40,100</u>	<u>\$ 40,100</u>	<u>\$ -0-</u>

FHWA - STP # 2015-0011/Z3  
FHWA - STP # 2015-0011/Z4 (32800)

FHWA - SP&R # 2015-0022/Z3 (34000)

BUDGET	EXPENDED	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	EXPENDED	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 274,639	\$ 104,582	\$ 170,057	\$ -	\$ -	\$ -0-
-	-	-0-	6,000	-	6,000
-	-	-0-	-	-	-0-
-	-	-0-	6,000	5,436	564
-	-	-0-	7,000	13,564	(6,564)
-	-	-0-	-	-	-0-
<u>\$ 274,639</u>	<u>\$ 104,582</u>	<u>\$ 170,057</u>	<u>\$ 19,000</u>	<u>\$ 19,000</u>	<u>\$ -0-</u>

**Tri-County Regional Planning Commission  
Lansing, Michigan**

**SUPPLEMENTARY INFORMATION  
TO FINANCIAL STATEMENTS  
(FEDERAL AWARDS)**

**September 30, 2015**

Tri-County Regional Planning Commission

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Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Commissioners  
Tri-County Regional Planning Commission  
Lansing, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited Tri-County Regional Planning Commission's (the Commission) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on the Commission's major federal programs for the year ended September 30, 2015. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Commission's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Tri-County Regional Planning Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.



## **Report on Internal Control Over Compliance**

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities and the major fund of the Commission as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements. We issued our report thereon dated November 30, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

November 30, 2015

Tri-County Regional Planning Commission

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2015

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Award Amount	(Memo Only) Prior Years' Expenditures	Expenditures
U.S. DEPARTMENT OF COMMERCE					
Direct Award					
Economic Development Administration	11.302				
Support for Planning Organizations		06-83-05839	\$ 169,095	\$ 37,044	\$ 58,429
U.S. HOUSING AND URBAN DEVELOPMENT					
Direct Award					
Sustainable Communities Regional Planning Grant Program	14.703	MIRIP0056-11	3,000,000	2,685,752	313,758
FEDERAL HIGHWAY ADMINISTRATION					
Passed Through Michigan Department of Transportation <sup>(b)</sup>					
Highway Planning and Construction	20.205				
FTA Section 5303		2015-0011/Z2	219,711	-	170,001
FHWA		2015-0011/Z1	480,181	-	317,292
FHWA		2015-0011/Z3	91,751	-	20,691
FHWA		2015-0011/Z4	182,217	-	52,871
FHWA		2015-0022/Z3	15,200	-	15,200
TOTAL FEDERAL HIGHWAY ADMINISTRATION			989,060	-0-	576,055
TOTAL FEDERAL AWARDS			\$ 4,158,155	\$ 2,722,796	\$ 948,242

(a) (c)

Tri-County Regional Planning Commission

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2015

**NOTE A: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Commission and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

**NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE**

The following descriptions identified below as (a) through (d) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards.

- (a) The expenditures reported in this schedule are in agreement with the amounts reported in the financial statements and financial reports. The financial reports tested, including claims for advances and reimbursements, were materially correct, complete, accurate, and timely and contain information that is supported by the books and records from which the financial statements have been prepared.
- (b) Denotes program tested as "major program".
- (c) Agrees to total revenues from Federal sources per financial statements.
- (d) Of the federal expenditures presented in the schedule, the Commission provided federal awards to subrecipients as follows:

<u>Federal Grantor / Pass-Through Grantor / Program Title and Subrecipient</u>	<u>CFDA Number</u>	<u>Current Year Expenditures</u>
<b>U.S. HOUSING AND URBAN DEVELOPMENT</b>		
Direct Award		
Sustainable Communities Regional Planning Grant Program	14.703	
Greater Lansing Housing Coalition		\$ 14,340
Meridian Township		4,000
Michigan Energy Options		28,407
Michigan Fitness Foundation		15,661
Michigan State University		51,916
Mid-Michigan Environmental Action Council		13,274
NorthWest Initiative		4,515
Refugee Development Center		3,000
The Fenner Conservancy		4,000
Arts Council of Greater Lansing		2,500
Greater Lansing Food Bank		3,700
EagleVision Ministries		4,000
Greater Lansing Destination Development Foundation		1,200
Friends of East Lansing Schools		4,000
Westside Commercial Association		4,981
Michigan Recycling Coalition		5,000
Southside Community Center		1,000
<b>TOTAL U.S. HOUSING AND URBAN DEVELOPMENT</b>		<b>\$ 165,494</b>

Principals

Dale J. Abraham, CPA  
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3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners  
Tri-County Regional Planning Commission  
Lansing, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Tri-County Regional Planning Commission (the Commission) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated November 30, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

November 30, 2015

Tri-County Regional Planning Commission  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended September 30, 2015

**Section I - Summary of Auditor's Results**

---

**Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes   X   No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported with  
Section 510(a) of Circular A-133?

\_\_\_\_\_ Yes   X   No

Identification of major programs:

\_\_\_\_\_ CFDA Number(s) \_\_\_\_\_

\_\_\_\_\_ Name of Federal Program or Cluster \_\_\_\_\_

20.205

Highway Planning and Construction

Dollar threshold used to distinguish between Type A  
and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

  X   Yes \_\_\_\_\_ No

**Section II - Financial Statement Findings**

---

None noted.

**Section III - Federal Award Findings and Questioned Costs**

---

None noted.



## CITY OF LANSING

### INTERNAL AUDITOR

124 W MICHIGAN AVE FL 10

LANSING MI 48933-1605

(517) 483-4159

Fax (517) 483-7630

## INTERNAL AUDITOR'S REPORT

<b>DATE:</b>	January 16, 2015
<b>TO:</b>	Ways & Means Committee
<b>FROM:</b>	Jim DeLine, Internal Auditor <i>Jim</i>
<b>RE:</b>	Review of Tri-County Regional Planning Commission Fiscal Year 2015 Audit

### Background / Research

The Tri-County Regional Planning Commission (TCRPC) Fiscal Year 2015 Audit was received by the City Clerk and on Monday, January 4, 2016 referred to the Ways & Means Committee and Internal Auditor. Council has no direct jurisdiction over TCRPC but is represented on the Commission by certain Councilmembers. The audit is sent to the City per TCRPC by-laws and is customarily simply received and placed on file. This report is being generated to highlight selected TCRPC financial information which may be of interest to Council members, particularly those sitting on the Commission.

### Analysis

For your information:

1. The TCRPC fiscal year ends on September 30.
2. In Fiscal Year 2014, TCRPC received \$2.9 million in revenue. In Fiscal Year 2015, revenues fell to \$1.8 million.
3. Revenues are received from Federal, State and local governments as well as member allocations and interest.
4. In Fiscal Year 2014, expenses were \$2.8 million with an increase in net position of \$58,538. In Fiscal Year 2015, expenses fell to \$1.8 million with an increase in net position of \$3,722.
  - a. Salaries and wages for the year ended September 30, 2015 were \$721,306.
  - b. Expenses are 100% spent on items related to community and economic development.
5. The TCRPC only maintains one fund but tracks programs individually.
6. On September 30, 2015 TCRPC had a net position of \$561,615, \$536,085 of which was unrestricted, \$25,530 of which was the net investment in capital assets.

7. \$501,998 of funds deposited in banks were insured by the FDIC. \$213,801 of funds deposited in banks was uninsured and uncollateralized.
8. Included in the 2013 audit was a recommendation related to the lack of formal adoption of several necessary procedures and policies. The auditors still found these written procedures lacking as of the September 30, 2014 audit. The TCRPC provided a corrective action response that an accounting procedures manual has been developed and is currently being reviewed by the Board.
  - a. Per an email from Susan Pigg, TCRPC Executive Director, sent on January 15, 2015, the procedures were drafted by staff and sent to the Commission's Finance Committee which requested revisions. Those revisions are being made and the document being resubmitted to the Finance Committee for introduction and passage by the full Commission in February.
  - b. The fiscal year 2015 audit report contained no mention of these written procedures.
9. The fiscal year 2015 audit report found no material weaknesses or significant deficiencies.

**Recommendation**

It is recommended that Councilmembers accept this report and place it on file as submitted.





---

Chris Swope  
Lansing City Clerk

---

December 30, 2015

President and Council Members  
10th Floor City Hall  
Lansing, MI 48933

Dear President and Council Members:

My office has received and placed on file:

City of Lansing Employees' Retirement System Actuarial Valuation for Funding and Contributions as of December 31, 2014

This document is available for review at the office of the City Clerk or at <http://www.lansingmi.gov/clerk> under the heading of Documents Placed on File.

Sincerely,

A handwritten signature in cursive script that reads "Chris Swope".

Chris Swope, CMC  
Lansing City Clerk



# **City of Lansing Employees' Retirement System**

## **Actuarial Valuation For Funding and Contributions**

---

**as of December 31, 2014**

**September, 2015**

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September 10, 2015

City of Lansing Employees' Retirement System  
124 W. Michigan Avenue  
8th Floor  
Lansing, MI 48933

## **Executive Summary**

### **Members of the Board:**

The following report sets forth the Actuarial Valuation of the City of Lansing Employees' Retirement System (the System) as of December 31, 2014. The report is based on participant data and asset summary as of December 31, 2014 as submitted by the Plan Administrator and City finance department. We relied on this information without auditing it.

### **INVESTMENT PERFORMANCE:**

The total Market Value of Plan Assets for the plan year ending December 31, 2014 was \$204,492,610. Plan assets exclude from this a reserve for healthcare benefits. The total yield of the fund for the plan year ending December 31, 2014 was 6.3% on the market value of assets and 9.0% on an actuarial basis.

The Plan uses a smoothing method to determine the City's contributions. Under this method, asset gains or losses are spread over a 5-year period. The gains and losses are determined every year by comparing actual investment returns with expected asset performance.

Details of the development of the Actuarial Asset Value are shown on page 8.

### **FUNDING RECOMMENDATIONS:**

The total recommended City contribution for fiscal year 2016 is \$10,181,620. Last year the total recommended contribution was \$10,547,556. Changes in the Employee Contributions and the change in Plan provisions for the new hires in Teamsters 580 CTP and Supervisors and District Court Teamsters 580 Bargaining Units, resulted in a slight decrease in the City Contribution.

### **FUNDING PROGRESS:**

The Actuarial Accrued Liability as of December 31, 2014 is \$309,924,744 compared to the Actuarial Value of Assets (excluding healthcare reserve) of \$177,259,420, resulting in a plan funded ratio of 57.2%. On a market value basis, this ratio is 58.7%.

The purposes of this report are to establish the City contribution for the next fiscal year, and to evaluate the funding progress of the System.

The accounting report for the System, under GASB 67 and 68, is provided under separate cover, and serves a different purpose. All the figures presented in this report are to be used for funding and contribution purposes.

This report has been prepared in accordance with generally accepted actuarial principles and practices. In the opinion of the Retirement Board and its actuary, the actuarial assumptions used are reasonable related to Retirement System experience and expectations, and represent the best estimate of Retirement System experience.

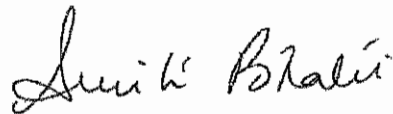
The undersigned below are members of the American Academy of Actuaries, and are qualified to render the actuarial opinions presented in this report.

Respectfully Submitted,

BOOMERSHINE CONSULTING GROUP, L.L.C.



Gregory M. Stump, FSA, EA, MAAA, FCA  
Chief Actuary



Sunita K. Bhatia, ASA, EA, MAAA  
Senior Consultant

**Plan Asset Information**

**Plan Assets**

Market Value of Total Fund as of January 1, 2014		\$201,818,037
<u>Receipts:</u>		
Employer Contribution - Pension Fund	11,308,565	
Employer Contribution - Healthcare Reserve	410,000	
Member Contributions	1,264,933	
Adjustments Investment Income		
Interest	1,009,998	
Dividends	693,404	
Market Appreciation	10,931,298	
Total Additions		\$25,618,198
<u>Disbursements:</u>		
Member Refunds	6,567	
Distributions to Participants/ Beneficiaries	22,120,989	
Administrative Expenses and Other	112,363	
Investment Expenses	703,706	
Total Disbursements		\$22,943,625
Net Increase/(Decrease) in Assets		<u>\$2,674,573</u>
Market Value of Total Fund as of December 31, 2014		\$204,492,610

**Allocation of Net Plan Assets**

Asset Class	Market Value	% of Total
Cash and Short Term Investments	22,685,831	11.1%
Equity	98,379,975	48.1%
Fixed Income	70,862,732	34.7%
Real Estate	14,061,815	6.9%
<u>Accounts payable</u>	<u>(1,497,743)</u>	<u>-0.7%</u>
TOTAL ASSETS	\$204,492,610	100.0%

Estimated Rate of Return on Market Value for 2014: 6.31%

### Development of Actuarial Value of Assets

Market Value of Total Fund as of December 31, 2013	\$201,818,037
Plus: Contributions	12,983,498
Less: Benefit Payments, Refunds	22,127,556
Less: Admin Expenses	112,363
Plus: Expected Return during 2014 (@ 7.6%)	14,740,875
Expected Market Value	\$207,302,491
Actual Market Value of Total Fund as of December 31, 2014	\$204,492,610
Asset Gain/(Loss) for 2014 Plan Year	(2,809,882)
Actuarial Value =	
Market Value of Total Fund as of December 31, 2014	\$204,492,610
Less: 80% of 2014 Gain/(Loss) 80%* (2,809,882)	(2,247,905)
Less: 60% of 2013 Gain/(Loss) 60%* 10,553,104	6,331,863
Less: 40% of 2012 Gain/(Loss) 40%* 7,932,079	3,172,832
Less: 20% of 2011 Gain/(Loss) 20%* (10,802,449)	(2,160,490)
Total Deferred Gain/(Loss)	5,096,300
Actuarial Value of Assets, Total Fund - December 31, 2014	\$199,396,310
(Market Value, less total deferred)	
as % of Market Value of Assets	97.5%
Healthcare Reserve as of December 31, 2014	\$22,702,174
Adjusted Healthcare Reserve <sup>1</sup>	22,136,890
Actuarial Value of Assets, Pension Plan - December 31, 2014	\$177,259,420
Estimated Rate of Return on the Actuarial Value of Assets:	9.01%

<sup>1</sup> Takes into account asset smoothing



## Participant Summary

**Reconciliation of Plan Participants from Prior Year**

	Active	Vested				
	Participants	Terminations	Retired	Disabled	Beneficiary	Total
Participants as of December 31, 2013	373	68	735	25	125	1,326
Corrections:	0	0	0	0	(1)	(1)
Retired	(34)	(3)	37	0	0	0
Terminated Vested	(9)	9	0	0	0	0
Terminated Non-Vested (Member Contributions refunded)	(8)	0	0	0	0	(8)
Disabled	0	0	0	0	0	0
Deceased	(1)	0	(20)	(1)	(9)	(31)
New Beneficiary / EDRO	0	0	0	0	9	9
Rehired	0	0	0	0	0	0
Terminated Non-Vested (Member Contributions to be refunded)	0	0	0	0	0	0
Transfers In	0	0	0	0	0	0
Transfers to Police and Fire Plan	0	0	0	0	0	0
New Hires	43	0	0	0	0	43
Data Adjustments	(3)	0	0	1	0	(2)
Participants as of December 31, 2014	361	74	752	25	124	1,336

Inactive Participants	12/31/2013	12/31/2014
Number of Retired Participants	735	752
Average Age	66.5	66.8
Average Annual Benefit	\$26,821	\$27,033
Number of Disabled Participants	25	25
Average Age	61.4	62.1
Average Annual Benefit	\$18,477	\$18,432
Number of Beneficiaries/EDROs	125	124
Average Age	73.5	73.0
Average Annual Benefit	\$12,367	\$12,361
Number of Deferred Vested Participants	68	74
Average Age	51.1	51.0
Average Annual Benefit	\$11,716	\$11,213

**Distribution of Active Participants and Average Compensation**

Nearest Age	-----Years of Credited Service-----								Total
	<1	1	2 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25+	
<20									
20 - 24	1 4,406								1 4,406
25 - 29	8 22,122	5 41,617	1 30,994						14 29,718
30 - 34	8 24,229	4 40,369	2 56,987	3 54,766	1 35,666				18 37,180
35 - 39	5 25,512	1 60,050		6 51,701	7 57,492	1 49,750			20 47,501
40 - 44	8 23,518	2 44,108	2 70,945	3 58,901	24 56,353	3 52,309			42 50,103
45 - 49	5 24,753	5 71,373	1 46,180	11 60,798	37 59,762	16 60,349	6 62,396	1 70,589	82 58,748
50 - 54	2 23,214	1 86,352	2 42,406	11 65,092	35 60,166	26 57,187	11 57,818	1 82,998	89 58,935
55 - 59	4 21,457			9 60,295	24 56,014	14 62,896	7 65,486	3 57,284	61 57,108
60 - 64	1 17,377		1 103,197	1 74,304	10 50,343	4 70,802	3 65,313	1 70,105	21 59,408
>64				1 107,446	7 57,025	4 63,798	1 69,827		13 63,972
Total	42 22,960	18 53,391	9 57,894	45 61,342	145 57,617	68 59,972	28 61,948	6 65,924	361
					<u>Males</u>	<u>Females</u>	<u>Total</u>		
Total Compensation					12,434,981	7,287,376	19,769,460		
Average Compensation					56,267	52,427	54,763		
Arithmetic Averages:									
Nearest Age					48.61	49.19	48.70		
Completed Years of Service					11.01	10.68	10.85		
Salary-Weighted Averages:									
Nearest Age					49.85	50.15	49.84		
Completed Years of Service					12.24	11.31	11.87		
Number of Participants					221	139	361		
Percent male / female					61.22%	38.50%	100.00%		

## Valuation Summary

**Development of Funding Ratio and City Contribution**

	12/31/2013	12/31/2014
1) Total Entry Age Normal Cost	\$ 2,862,200	\$ 2,842,174
2) <u>Estimated Employee Contributions</u>	<u>1,058,421</u>	<u>1,072,734</u>
3) Net City Normal Cost: (1) - (2)	\$ 1,803,779	\$ 1,769,440
4) Valuation Payroll	\$ 20,874,143	\$ 22,391,750
5) City Normal Cost Rate (% of pay): (3) ÷ (4)	8.6%	7.9%
Actuarial Accrued Liability		
Active Employees	\$ 55,328,454	\$ 53,422,881
Member Benefit Fund	15,621,340	16,534,167
Terminated Vested	5,404,429	5,823,137
<u>Retirees and Beneficiaries</u>	<u>236,904,523</u>	<u>234,144,559</u>
6) Total Actuarial Accrued Liability: (sum of above)	\$ 313,258,746	\$ 309,924,744
7) Actuarial Value of Assets	172,687,582	177,259,421
8) Unfunded Actuarial Accrued Liability: (6) - (7)	140,571,164	132,665,323
9) Plan Funding Ratio: (7) ÷ (6)	55.1%	57.2%
10) Amortization of Unfunded Actuarial Accrued Liability	\$ 8,426,634	\$ 8,106,040
11) Amortization Rate (% of Pay): (10) ÷ (4)	40.4%	36.2%
12) Total Contribution Rate: (5) + (11)	49.0%	44.1%
13) Projected Fiscal Payroll	\$ 21,521,242	\$ 23,085,894
14) Total City Contribution: (12) x (13)	\$ 10,547,556	\$ 10,181,620

**Estimated Cash Flow for Next Five Years**

Fiscal Year	City Contributions	Member Contributions	Benefit Payments
2017	\$ 10,400,000	\$ 1,100,000	\$ 22,100,000
2018	10,500,000	1,200,000	22,400,000
2019	10,700,000	1,200,000	22,600,000
2020	11,000,000	1,300,000	23,000,000
2021	11,300,000	1,300,000	23,200,000

## Actuarial Assumptions and Methods

**Funding Method:** Entry Age Normal Actuarial Cost Method. The contribution equals the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liability as a level percent of payroll over a closed period of thirty years, decreasing by 1 year to an ultimate period of 15 years (27 years remaining as of December 31, 2014).

**Asset Smoothing Method:** Investment gains and losses are determined annually and each is spread over a 5- year period. This is done on a total fund basis. The adjusted value of the healthcare reserve is then excluded from the valuation assets.

**Investment Return:** 7.60% compounded annually, net of investment expenses

**Cost of Living (inflation):** The cost of living as measured by the Consumer Price Index (CPI) is assumed to increase at the rate of 3.10% per year.

**Salary Increases:** Increases in salary are assumed to be 3.10% annually, plus an additional amount that varies based on the service of the member as shown below:

<u>Years of Service</u>	<u>UAW</u>	<u>All Others</u>
0-8	2.00%	1.50%
9-10	2.00%	0.25%
11 +	1.00%	0.25%

**Mortality:** RP2000 Combined Healthy Tables set back one year for females. For Disabled members, the disabled versions of these tables are assumed. Each of these tables is projected to 2008 using Scale BB. Projected improvements in mortality for non-disabled members have been accounted for by projecting the table to 2023 using 50% of Scale BB.

**Percent Married:** 90% of participants are assumed to be married. Male spouses are assumed to be three years older than their female spouse.

**Disability:** Rates of disability vary based on the age of the member as shown below. Half of all disabilities are assumed to be duty related.

Sample rates are shown below:

<u>Age</u>	<u>Rate</u>
20	0.0004
30	0.0004
40	0.0013
50	0.0041
60	0.0090

Termination: Rates of termination vary based on the service of the member.  
Sample Rates are shown below:

<u>Years of Service</u>	<u>UAW</u>	<u>Others</u>
0	10.0%	20.0%
1	7.0%	10.0%
2	5.0%	4.0%
3	5.0%	4.0%
4	5.0%	4.0%
5	4.0%	3.0%
10	1.0%	1.0%
15	1.0%	1.0%
20+	0.5%	0.5%

Retirement: Rates of retirement vary based on the age of the member as shown below. Rate is applied only if the member is eligible to retire.

<u>Age</u>	<u>UAW</u>	<u>Others</u>
45-49	0.0%	10.0%
50-54	40.0%	10.0%
55-56	40.0%	15.0%
57	20.0%	15.0%
58	10.0%	25.0%
59	10.0%	10.0%
60	20.0%	15.0%
61	35.0%	15.0%
62-64	20.0%	15.0%
65-69	100.0%	50.0%
70 +	100.0%	100.0%

The assumptions above are based on the most recent experience study, covering 2005 through 2011.  
The next study is scheduled for 2016.

**Changes in assumptions since the prior valuation**

There have been no changes in assumptions since the prior valuation.



**Non Duty Pre-Retirement Death**

Eligibility	The non-duty pre-retirement death benefit is payable upon the death of a member after earning 8 years of credited service.
Benefit Amount	Benefit is paid to the surviving spouse as a Joint and Survivor benefit and is computed in the same manner as the Normal Retirement Benefit.

**Optional Benefit Forms**

Prior to retirement, a member may elect to convert the retirement allowance into a benefit of equivalent actuarial value in accordance with one of the optional forms described below.

- a. Cash Refund Annuity - If a member dies before receiving the total value of accumulated member contributions, the remaining member contributions are payable to designated beneficiary(ies) at the time of death.
- b. 50% or 100% Joint and Survivor Annuity
- c. Social Security Level Income ("Equating Pension") - Any member who retires prior to age 65 may elect to have his retirement allowance actuarially equated to provide an increase retirement allowance to age 65, and a reduced retirement allowance payable thereafter. The increased retirement allowance shall approximate the sum of the member's reduced retirement allowance payable after age 65 and the member's estimated Social Security Primary Insurance Amount.

**Post - Retirement Benefit Adjustments**

One-time post-retirement benefit increases were granted in 1984, 1987 and 1998.

Effective January 1, 1999, and each January 1 thereafter, certain eligible retirees and beneficiaries receive annual benefit increases, financed by the Members' Benefit Fund reserve while it maintains a positive balance. Retirees/Beneficiaries must meet both of the following conditions:

- 1) Has been retired at least 6 months as of the January 1 increase date
- 2) Age 60 as of the January 1 increase date

For a retiree/beneficiary who elected a 50% or 100% Joint and Survivor Annuity, the maximum annual increase is equal to \$200 (\$100 for the beneficiary if 50% option is elected) times a ratio of the original Joint and Survivor benefit to the original straight life annuity benefit.

For all other retirees/beneficiaries, the maximum annual increase is \$200.

**Changes in Plan provisions since the prior valuation**

This Valuation takes into effect the change in Employee Contributions and the Plan provisions for the new hires in Teamsters 580 CTP and Supervisors and District Court Teamsters 580 Bargaining Units.

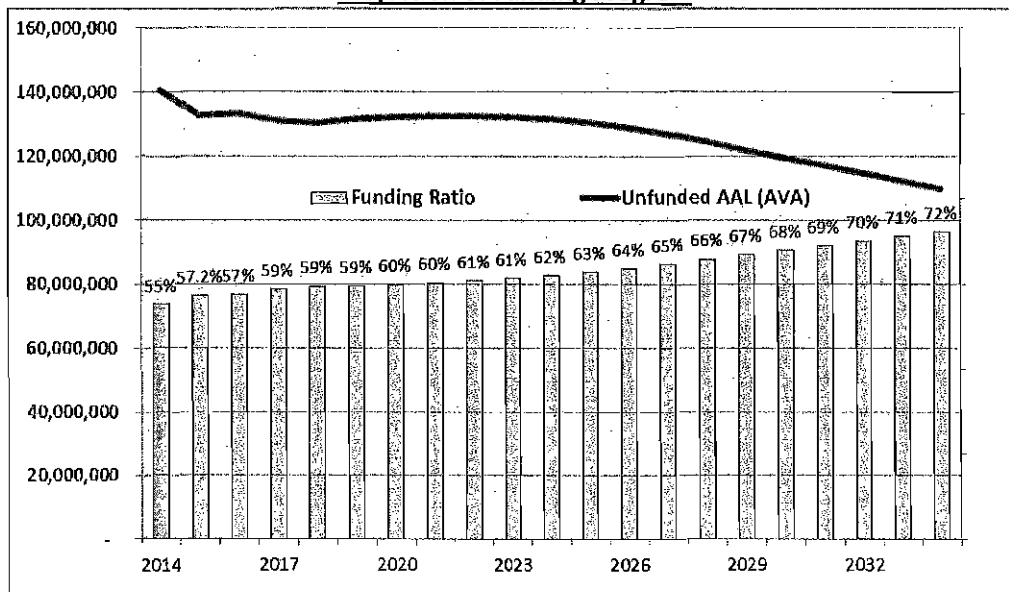
## Glossary of Terms

Actuarial Accrued Liability (AAL):	The portion of benefits deemed to be accrued by participants based on past service. The AAL serves as the asset <b>funding</b> target, when annual contributions are determined.
Actuarial Value of Assets (AVA):	The smoothed value of assets, used to compute the Unfunded AAL. The purpose of the AVA is to control volatility in annual <b>cash contributions</b> .
Amortization of Unfunded Liability:	The portion of the <b>annual cash contribution</b> that represents a portion of the Unfunded AAL. The amortization can be positive or negative.
Actuarially Determined Employer Contribution (ADEC):	The contribution determined by the actuary for <b>funding purposes</b> .
Market Value of Assets (MVA):	The total value of Plan assets available to pay benefits.
Normal Cost:	That portion of the annual contribution that represents one year's accrual of benefits. In funding calculations, this is known as the Service Cost.
Unfunded Actuarial Accrued Liability:	The difference between the Actuarial Value of Assets and the Actuarial Accrued Liability, used for <b>funding purposes</b> .

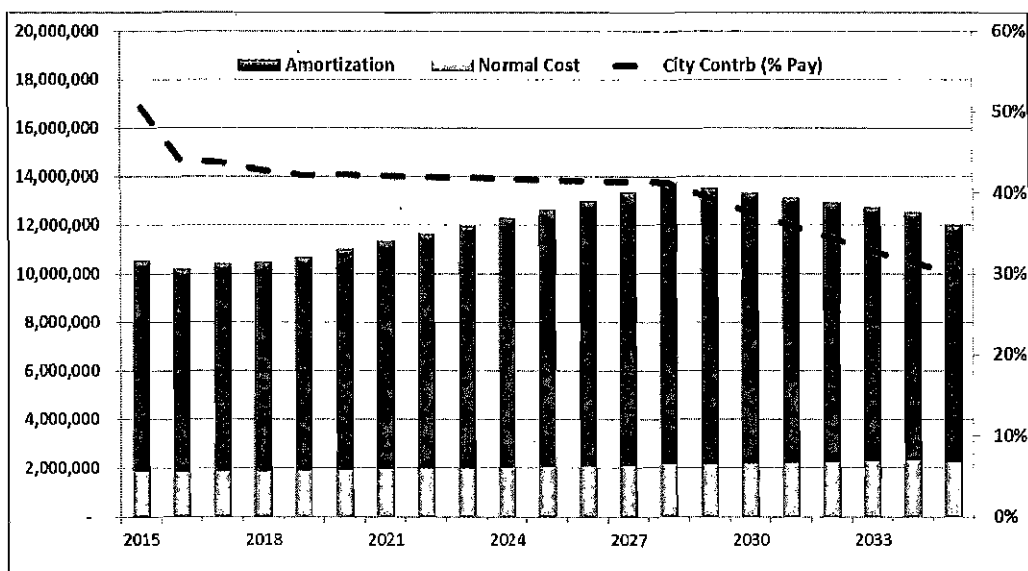
## Appendix I: 20 Year Projection of Funding and Contributions

The graphs below show a projection of expected funding progress and City contributions to the Fund. The actual funding progress and contributions over this time period will differ from what is shown here, due to the actual experience of the Plan. However, we can see that the Plan is on a path to eventually reducing the unfunded liability (top graph, red line) and improving the funding ratio by about 15% over the next 20 years. During this time, the City contribution rate is expected to remain near 40% of pay. All recent benefit changes have been taken into account for these projections.

**Projection of Funding Progress**



**Projection of City Contributions**



## Appendix II: History of Employer Contributions and Funding Progress

### Historical Employer Contributions

Fiscal Year Ending	Actuarially Determined Employer Contribution	Actual Employer Contribution	
6/30/2007	5,230,668	5,230,668	
6/30/2008	6,021,613	6,021,613	
6/30/2009	6,047,520	6,476,000	(1)
6/30/2010	6,472,341	6,043,861	(1)
6/30/2011	7,297,083	7,297,083	
6/30/2012	7,596,879	7,523,534	(2)
6/30/2013	8,586,536	8,586,536	(3)
6/30/2014	9,361,000	9,361,000	
6/30/2015	10,548,000	10,548,000	(4)
6/30/2016	10,182,000	To be determined	

(1) The City contributed in excess of its FY 2009 Contribution. The City's FY 2010 contribution was reduced by the dollar amount of the FY 2009 overpayment.

(2) The FY 2012 City contribution was reduced by \$73,345 in recognition of additional contributions by United Auto Workers (UAW) employees, which were negotiated and contributed after the establishment of the June 30, 2012 Contribution from the December 31, 2010 valuation.

(3) Fiscal year 2013 Contribution reflects changes made to actuarial assumptions based on an Experience Study. Changes included a decrease in the assumed rate of return from 8.0% to 7.8%. A closed amortization period was also adopted as of 12/31/2011, beginning at 30 years and decreasing each year until 15 years is reached.

(4) Fiscal year 2015 Contribution reflects changes made to assumed return and inflation from 7.8% and 3.3% to 7.6% and 3.1%, respectively.

**Historical Funding Progress**

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Percentage Funded	Unfunded Actuarial Accrued Liability	
12/31/2005	207,881,000	241,882,000	85.9%	34,001,000	
12/31/2006	208,765,000	251,427,000	83.0%	42,662,000	
12/31/2007	208,572,000	254,356,000	82.0%	45,784,000	
12/31/2008	200,600,000	258,331,000	77.7%	57,731,000	
12/31/2009	193,324,000	262,298,000	73.7%	68,974,000	
12/31/2010	187,440,590	269,461,935	69.6%	82,021,345	
12/31/2011	177,100,863	287,306,707	61.6%	110,205,844	(5)
12/31/2012	167,569,807	293,974,433	57.0%	126,404,626	
12/31/2013	172,687,582	313,258,746	55.1%	140,571,164	(6)
12/31/2014	177,259,421	309,924,744	57.2%	132,665,323	

(5) Reflects changes made to actuarial assumptions based on an Experience Study, including a reduction in the assumed investment return 8.0% to 7.8%.

(6) Reflects changes made to assumed return and inflation from 7.8% and 3.3% to 7.6% and 3.1%, respectively.



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Chris Swope  
Lansing City Clerk

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December 30, 2015

President and Council Members  
10th Floor City Hall  
Lansing, MI 48933

Dear President and Council Members:

My office has received and placed on file:

City of Lansing Police and Fire Retirement System Actuarial Valuation for Funding  
and Contributions as of December 31, 2014

This document is available for review at the office of the City Clerk or at  
<http://www.lansingmi.gov/clerk> under the heading of Documents Placed on File.

Sincerely,

Chris Swope, CMC  
Lansing City Clerk



# **City of Lansing Police and Fire Retirement System**

## **Actuarial Valuation For Funding and Contributions**

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as of December 31, 2014

September, 2015

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September 10, 2015

City of Lansing Police and Fire Retirement System  
124 W. Michigan Avenue  
8th Floor  
Lansing, MI 48933

## **Executive Summary**

### **Members of the Board:**

The following report sets forth the Actuarial Valuation of the City of Lansing Police and Fire Retirement System (the System) as of December 31, 2014. The report is based on participant data and asset summary as of December 31, 2014 as submitted by the Plan Administrator and City finance department. We relied on this information without auditing it.

### **INVESTMENT PERFORMANCE:**

The total Market Value of Plan Assets for the plan year ending December 31, 2014 was \$325,637,582. Plan assets exclude from this a reserve for healthcare benefits. The total yield of the fund for the plan year ending December 31, 2014 was 6.2% on the market value of assets and 9.6% on an actuarial basis, taking into account asset smoothing.

The Plan uses a smoothing method to determine the City's contributions. Under this method, asset gains or losses are spread over a 5-year period. The gains and losses are determined every year by comparing actual investment returns with expected asset performance.

Details of the development of the Actuarial Asset Value are shown on page 8.

### **FUNDING RECOMMENDATIONS:**

The total recommended City contribution for fiscal year 2015 is \$10,884,312. Last year the total recommended contribution was \$11,050,091. Changes in the Employee Contributions and the change in Plan provisions for the new hires in Fire and Police - Non Supervisor groups, resulted in a slight decrease in the City Contribution.

### **FUNDING PROGRESS:**

The Actuarial Accrued Liability as of December 31, 2014 is \$395,089,321 compared to the Actuarial Value of Assets of \$288,785,965, resulting in a plan funded ratio of 73.1%. Using the market value of assets, this ratio is 75.7%.

The purposes of this report are to establish the City contribution for the next fiscal year, and to evaluate the funding progress of the System.

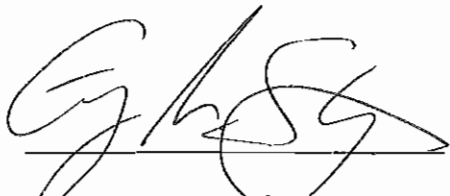
The accounting report for the System, under GASB 67 and 68, is provided under separate cover, and serves a different purpose. All the figures presented in this report are to be used for funding and contribution purposes.

This report is prepared in accordance with generally accepted actuarial principles and practices. In the opinion of the Retirement Board and its actuary, the actuarial assumptions used are reasonable related to Retirement System experience and expectations, and represent the best estimate of Retirement System experience.

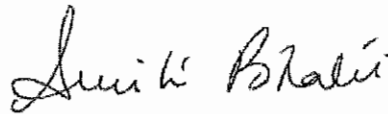
The undersigned below are members of the American Academy of Actuaries, and are qualified to render the actuarial opinions presented in this report.

Respectfully Submitted,

BOOMERSHINE CONSULTING GROUP, L.L.C.



Gregory M. Stump, FSA, EA, MAAA, FCA  
Chief Actuary



Sunita K. Bhatia, ASA, EA, MAAA  
Senior Consultant

## Plan Asset Information

### Trust Fund Statement

Market Value of Total Fund as of January 1, 2014		\$319,630,880
<b>Receipts:</b>		
Employer Contribution	11,298,948	
Employer Contribution - Healthcare Reserve	940,000	
Member Contributions	2,858,941	
Adjustments Investment Income		
Interest	1,203,476	
Dividends	1,146,480	
Market Appreciation	17,082,577	
Total Additions		\$34,530,422
<b>Disbursements:</b>		
Member Refund	18,093	
Distributions to Participants/ Beneficiaries	27,278,253	
Administrative Expenses and Other	119,035	
Investment Expenses	1,108,339	
Total Disbursements		\$28,523,720
Net Increase/(Decrease) in Assets		<u>\$6,006,702</u>
Market Value of Total Fund as of December 31, 2014		<u>\$325,637,582</u>

### Allocation of Net Plan Assets as of December 31, 2014

Asset Class	Market Value	% of Total
Cash and Short Term Investments	\$ 30,665,518	9.4%
Equity	184,651,534	56.7%
Fixed Income	93,431,180	28.7%
Real Estate	18,042,030	5.6%
Accounts payable	<u>(1,152,680)</u>	<u>-0.4%</u>
TOTAL ASSETS	\$325,637,582	100.0%
Estimated Rate of Return on Market Value for 2014		6.2%

### Development of Actuarial Value of Assets

Market Value of Total Fund as of December 31, 2013	\$ 319,630,880
Plus: Contributions	15,097,889
Less: Benefit Payments, Refunds	27,296,346
Less: Admin Expenses	119,035
Plus: Expected Return during 2014 (@ 7.6%)	23,550,712
Expected Asset Value	\$330,864,100
Actual Market Value of Total Fund as of December 31, 2014	\$325,637,582
Asset Gain/(Loss) for 2014 Plan Year	(5,226,518)
Actuarial Value =	
Market Value of Total Fund as of December 31, 2014	\$325,637,582
Less: 80% of 2014 Gain/(Loss) 80%* (5,226,518)	(4,181,214)
Less: 60% of 2013 Gain/(Loss) 60%* 25,936,548	15,561,929
Less: 40% of 2012 Gain/(Loss) 40%* 0 <sup>1</sup>	0
Less: 20% of 2011 Gain/(Loss) 20%* 0 <sup>1</sup>	0
Total Deferred Gain/(Loss)	11,380,715
Actuarial Value of Assets, Total Fund - December 31, 2014 (Market Value, less total deferred)	\$314,256,867
as % of Market Value of Assets	96.5%
Healthcare Reserve as of December 31, 2014	\$26,391,982
Adjusted Healthcare Reserve <sup>2</sup>	25,470,902
Actuarial Value of Assets, Pension Plan - December 31, 2014	\$288,785,965
Estimated Rate of Return on the Actuarial Value is	9.6%

<sup>1</sup> 2010 - 2012 Investment Experience fully recognized as of 12/31/2013

<sup>2</sup> Takes into account asset smoothing

## Participant Summary

# Reconciliation of Plan Participants from Prior Year

	Active Participants	Non-vested Terminations Due Refunds	Deferred Vested Terminations	Retired	Disabled	Beneficiary	Total
Participants as of December 31, 2013	352	15	23	495	64	140	1,089
Correction	0	0	0	0	0	0	0
Retired	(21)	0	(1)	22	0	0	0
Terminated Vested	(2)	0	2	0	0	0	0
Terminated Non-Vested (Member Contributions refunded)	(2)	0	0	0	0	0	(2)
Disabled	(1)	0	0	0	1	0	0
Deceased	0	0	0	(12)	0	(7)	(19)
New Beneficiary / EDRO	0	0	0	0	0	8	8
Rehired	0	0	0	0	0	0	0
Terminated Non-Vested (Member Contributions to be refunded)	0	0	0	0	0	0	0
Transfers In from ERS	0	0	0	0	0	0	0
New Hires	36	0	0	0	0	0	36
Data Adjustments	0	0	0	0	0	0	0
Participants as of December 31, 2014	362	15	24	505	65	141	1,112

\* Includes distinction made between retiree EDROs and beneficiary EDROs

Inactive Participants	12/31/2013			12/31/2014		
	Fire	Police	Total	Fire	Police	Total
Number of Retired Participants	212	283	495	215	290	505
Average Age	65.3	65.4	65.4	65.4	65.3	65.3
Average Annual Benefit	\$47,634	\$43,121	\$45,054	\$49,777	\$43,742	\$46,311
Number of Disabled Participants	39	25	64	40	25	65
Average Age	54.0	52.5	53.4	54.7	53.5	54.2
Average Annual Benefit	\$41,463	\$37,342	\$39,853	\$41,084	\$39,701	\$40,552
Number of Beneficiaries/EDROs	57	83	140	68	73	141
Average Age	76.8	72.1	74.0	76.4	72.4	74.3
Average Annual Benefit	\$15,016	\$16,606	\$15,959	\$16,455	\$16,226	\$16,336
Number of Deferred Vested Participants	4	19	23	5	19	24
Average Age	42.7	47.4	47.3	42.7	47.9	46.8
Average Annual Benefit	\$34,032	\$26,246	\$27,600	\$34,519	\$27,173	\$28,703

**Distribution of Active Participants and Average Compensation**

Nearest Age	-----Completed Years of Service from Date of Hire-----								Total
	<1	1	2 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25+	
<20									
20 - 24	9 15,125	4 44,725							13 24,233
25 - 29	17 13,355	6 47,280	4 63,823	4 76,048					31 34,523
30 - 34	9 17,981	1 57,130	7 67,457	25 71,820	13 65,622				55 60,723
35 - 39	1 10,372		4 66,643	10 70,491	30 72,812	18 69,815			63 70,205
40 - 44			2 61,059	2 76,181	18 73,097	53 74,018	8 79,024		83 74,041
45 - 49			1 66,968	2 80,444	3 71,800	26 75,021	33 80,175	2 88,731	67 77,867
50 - 54				1 68,606	5 78,233	15 73,998	23 80,807	2 80,430	46 78,025
55 - 59						2 76,963	1 77,418		3 77,114
60 - 64							1 76,884		1 76,884
>64									
Total	36 14,871	11 47,247	18 65,731	44 72,420	69 71,881	114 73,633	66 80,164	4 84,580	362
					Males	Females	Total		
Total Compensation					20,736,997	3,592,922	24,407,740		
Average Compensation					67,547	66,536	67,425		
Arithmetic Averages:									
Nearest Age					40.1	40.0	40.0		
Completed Years of Service					12.9	13.5	12.9		
Salary-Weighted Averages:									
Nearest Age					41.8	41.0	41.6		
Completed Years of Service					14.5	14.5	14.5		
Number of Participants					307	54	362		
Percent male / female					84.8%	14.9%	100.0%		



## Valuation Summary

**Development of Funding Ratio and City Contribution**

		12/31/2013	12/31/2014
1)	Total Entry Age Normal Cost	\$ 6,577,961	\$ 6,548,752
2)	<u>Estimated Employee Contributions</u>	<u>2,240,606</u>	<u>2,486,995</u>
3)	Net City Normal Cost: (1) – (2)	\$ 4,337,355	\$ 4,061,757
4)	Valuation Payroll	\$ 25,636,626	\$ 26,264,214
5)	City Normal Cost Rate (% of pay): (3) ÷ (4)	16.9%	15.5%
	Actuarial Accrued Liability		
	Active Employees	\$ 104,601,312	\$ 104,149,553
	Terminated Vested	4,228,451	4,701,287
	<u>Retirees and Beneficiaries</u>	<u>275,049,517</u>	<u>286,238,481</u>
6)	Total Actuarial Accrued Liability: (sum of above)	\$ 383,879,280	\$ 395,089,321
7)	Actuarial Value of Assets	277,267,947	288,785,965
8)	Net Unfunded Actuarial Accrued Liability: (6) – (7)	106,611,332	106,303,356
9)	Plan Funding Ratio: (7) ÷ (6)	72.2%	73.1%
10)	Amortization of Unfunded Actuarial Accrued Liability	\$ 6,390,889	\$ 6,495,287
11)	Amortization Rate (% of Pay): (10) ÷ (4)	24.9%	24.7%
12)	Total Contribution Rate: (5) + (11)	41.8%	40.2%
13)	Projected Fiscal Payroll	\$ 26,405,725	\$ 27,078,405
14)	Total City Contribution: (12) x (13)	\$ 11,050,091	\$ 10,884,312

**Estimated Cash Flow for Next Five Years**

Fiscal Year	City Contributions	Member Contributions	Benefit Payments
2017	10,900,000	2,600,000	28,400,000
2018	10,800,000	2,600,000	29,000,000
2019	10,800,000	2,700,000	29,600,000
2020	11,200,000	2,800,000	30,000,000
2021	11,500,000	2,900,000	30,500,000

## Actuarial Assumptions and Methods

<b>Funding Method:</b>	Entry Age Normal Actuarial Cost Method. The contribution equals the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liability as a level percent of payroll over a closed period of thirty years, decreasing by 1 year to an ultimate period of 15 years (27 years remaining as of December 31, 2014).
<b>Asset Smoothing Method:</b>	Investment gains and losses are determined annually and each is spread over a 5-year period. This is done on a total fund basis. The value of the healthcare reserve is then excluded from the valuation assets.
<b>Investment Return:</b>	7.60% compounded annually, net of investment expenses
<b>Cost of Living (inflation):</b>	The cost of living as measured by the Consumer Price Index (CPI) is assumed to increase at the rate of 3.10% per year.
<b>Salary Increases:</b>	Increases in salary are assumed to be equal to inflation, plus 7.00% for those with less than 5 years of service or 0.75% for all others
<b>Mortality:</b>	RP2000 with Blue Collar adjustments for males and females. For Disabled members, the disabled version of these tables are assumed with a 5 year age setback for males. Each of these tables is projected to 2008 using Scale BB. Future improvements in mortality for non disabled members are anticipated by projecting these tables an additional 15 years using 50% of Scale BB.
<b>Percent Married:</b>	90% of participants are assumed to be married. Male spouses are assumed to be three years older than their female spouse.
<b>Disability:</b>	Rates of disability vary based on the age of the member. 95% of disabilities are assumed to be duty related.

Sample rates are shown below:

<u>Age</u>	<u>Rate</u>
20	0.0800%
30	0.4000%
40	0.6250%
50	0.7500%
60	0.0000%

**Termination:** Rates of termination vary based on the service of the member.

Sample Rates are shown below:

<u>Years of Service</u>	<u>Fire</u>	<u>Police</u>
0	4.0%	5.0%
1	3.2%	4.3%
5	1.3%	2.2%
10	0.4%	1.0%
15	0.1%	0.4%
20	0.0%	0.0%

**Retirement:** Rates of retirement vary based on the service of the member as shown below.

<u>Years of Service</u>	<u>Fire</u>	<u>Police</u>
10-24	5.0%	5.0%
25	80.0%	80.0%
26-29	60.0%	25.0%
30+	100.0%	100.0%

The demographic assumptions above are based on the most recent experience study, covering 2005 through 2011. The next study is scheduled for 2016.

**Changes in assumptions and methods**

There have been no changes in assumptions since the prior valuation.

## Summary of Plan Benefits

*All benefits are subject to the language in the City Ordinance and relevant collective bargaining agreements.*

Employee Group Covered: Police Officers and Fire Fighters

Normal Retirement: Age 55 or 25 years of service; For FOP-NS, full retirement is at age 50 with 25 years of service

Mandatory Retirement: Age 60 for Police and age 70 for Firefighters

Normal Form of Benefit: Monthly life annuity with 50% of the benefit payable to the spouse upon the member's death.

Member Contribution Rates:	Group	Contribution Rate	
		(% of Pay)	
	Fire (IAFF)	9.08%	(10.00% as of 05/19/2014)
	Police, Supervisor (FOP-S)	9.52%	
	Police, Non Supervisor (FOP-NS)	8.50%	(9.00% as of 07/01/2015)
Hires after 5/19/2014	Fire (IAFF)	7.00%	
Hires after 08/01/2014	Police, Non Supervisor (FOP-NS)	7.00%	

Included Compensation: For a police officer member, Included Compensation is defined as annual base salary, overtime pay (including holiday pay), longevity, gun allowance, clothing allowances, sick leave reimbursement (buy-back), shift premium and retroactive pay (prorated by effective date). For a Police Supervisory Division Unit member, the definition also includes compensatory time buy-back (up to a maximum of 160 hours), provided that the compensatory time was earned in the same 24 months on which final average compensation is based. For a firefighter member, Included Compensation is defined as annual base salary, overtime pay, acting pay, ambulance wage differential pay, longevity, holiday pay, field training instructor pay and retroactive pay (prorated by effective date).

Final Average Compensation: Final Average Compensation means the monthly average of the member's final compensation that is included in Included Compensation, paid during the period of the member's 24 highest consecutive months of credited service as a police officer, or firefighter. If the member has less than 24 months of credited service, the member's final average compensation shall be the monthly average of the Included Compensation paid for his or her total period of credited service.

Normal Retirement Benefit Formula: 3.2% of Final Average Compensation times years of credited service, not to exceed 25 years. Maximum benefit is 80% of Final Average Compensation. Pension benefit is capped at 110% of Base Wage for IAFF and FOP-NS

Benefit Multiplier is changed to 2.5% and Pension Benefit is capped at 100% of Base Wage for hires on or after May 19, 2014 for IAFF and August 1, 2014 for FOP-NS

**Termination Prior to Retirement**

Eligibility	Vesting is after 10 years of credited service
Benefit Amount	Benefit is payable beginning at age 55 and computed in the same manner as the Normal Retirement Benefit, but based on credited service and Final Average Compensation at date of termination.

**Duty Disability**

Eligibility	Members are eligible for Duty Disability Retirement benefits immediately upon employment.
Benefit Amount (Before Retirement Eligibility)	The Duty Disability Retirement Benefit payable to members is equal to 2/3 of Final Average Compensation.
Benefit Amount (After Retirement Eligibility)	Benefit is paid at the effective date of disability retirement as a Life Annuity and is equal to the accrued Retirement Benefit. In computing the benefit amount, credited service is increased to include the period of disability, and Final Average Compensation is calculated using current rates of compensation for those with similar rank.
	The Disability Benefit will be offset by any workers' compensation payable on account of the disability.

**Non Duty Disability**

Eligibility	Members are eligible for Non Duty Disability Retirement benefits after completing 10 years of service.
Benefit Amount	Benefit is paid at the effective date of disability retirement as a Life Annuity and is equal to the accrued Retirement benefit, with a maximum benefit equal to 2/3 of the annual rate of compensation of either a full-paid patrolman or a full-paid firefighter as of the date of retirement, whichever is higher.

**Death incurred in the Line of Duty**

Eligibility	The Death in Line of Duty Benefit is payable to the survivors of a member who died as a result of an injury or disease arising out of and in the course of duty.
Benefit Amount - Fire	A benefit, equal to 1/3 of the deceased member's Final Compensation, is payable to the widow or widower. In addition, unmarried children under the age of 21 will receive a benefit equal to 1/4 of the deceased member's Final Compensation, divided equally among children.
Benefit Amount - Police	A benefit is payable to the widow or widower, equal to the greater of 80% of the deceased member's Final Average Compensation, or 80% of the top paid base salary for the rank the officer held at the time of his or her death. Benefit is paid to surviving children if there is no surviving spouse.

**Non Duty Pre-Retirement Death**

Eligibility	The non-duty pre-retirement death benefit is payable upon the death of a member after earning 10 years of credited service.
Benefit Amount	50% of the accrued retirement benefit, computed in the same manner as the Retirement Benefit payable as a Life Annuity.



**Optional Benefit Forms**

Prior to retirement, a member may elect a reduced benefit of either 93% or 86% of the original amount, thereby increasing the spouse benefit to either 75% or 86%, respectively.

**Ad Hoc Cost-of-Living Adjustments**

One-time cost of living increases were granted in 1973, 1984 and 1987.

**Post Retirement Benefit Adjustments**

Effective January 1, 1995 and each January 1 thereafter, the annual benefit amount will be increased by \$525 for each retiree who meets each of the following conditions:

- 1) 25 or more years of credited service at the time of retirement
- 2) Age 60 as of the January 1 increase date
- 3) Has been retired at least 6 months as of the January 1 increase date

The \$525 amount is reduced for retirees who elected the 75% or 86% optional forms of benefit (\$488.25 and \$451.50, respectively).

Spouses of deceased members are also eligible for benefit increases each January 1 if:

- 1) The deceased member had at least 25 years of credited service at the time of retirement
- 2) The deceased member would have attained at least age 60 as of the January 1 increase date
- 3) The deceased member had been deceased at least 6 months as of the January 1 increase date.

The spouse's annual benefit increase amount is adjusted based on the form of payment elected by the deceased member, according to the following schedule:

<u>Spouse Benefit %</u>	<u>Annual Benefit Increase</u>
50%	\$262.50
75%	\$393.75
86%	\$451.50

The benefit increases accumulate from year to year, but cumulative benefit increases shall not exceed cumulative increases in the Consumer Price Index.

**Changes in Plan provisions since the prior valuation**

This Valuation takes into effect the change in Employee Contribution rate for the Fire and Police - Non Supervisor groups and the new Plan provisions for new hires in the Fire and Police - Non Supervisor groups.

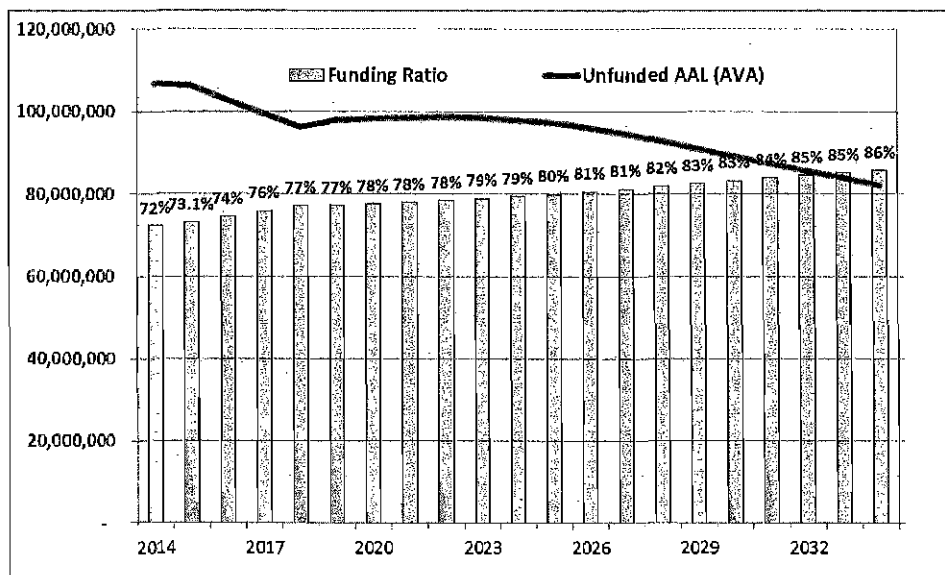
## Glossary of Terms

Actuarial Accrued Liability (AAL):	The portion of benefits deemed to be accrued by participants based on past service. The AAL serves as the asset <b>funding</b> target, when annual contributions are determined.
Actuarial Value of Assets (AVA):	The smoothed value of assets, used to compute the Unfunded AAL. The purpose of the AVA is to control volatility in annual <b>cash contributions</b> .
Amortization of Unfunded Liability:	The portion of the <b>annual cash contribution</b> that represents a portion of the Unfunded AAL. The amortization can be positive or negative.
Actuarially Determined Employer Contribution (ADEC):	The contribution determined by the actuary for <b>funding purposes</b> .
Market Value of Assets (MVA):	The total value of Plan assets available to pay benefits.
Normal Cost:	That portion of the annual contribution that represents one year's accrual of benefits. In funding calculations, this is known as the Service Cost.
Unfunded Actuarial Accrued Liability:	The difference between the Actuarial Value of Assets and the Actuarial Accrued Liability, used for <b>funding purposes</b> .

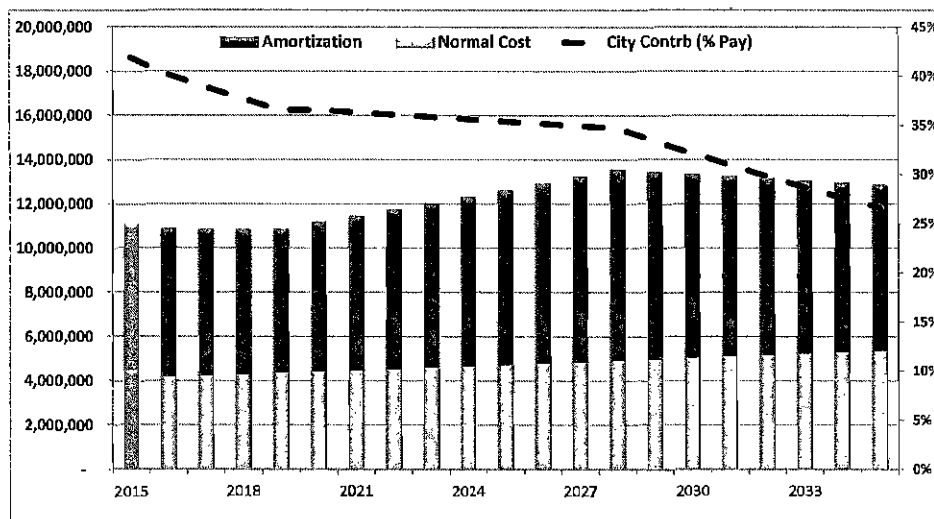
## Appendix I: 20 Year Projection of Funding and Contributions

The graphs below show a projection of expected funding progress and City pension contributions to the Fund. The actual funding progress and contributions over this time period will differ from what is shown here, due to the actual experience of the Plan. However, we can see that the Plan is on a path to decreasing the unfunded liability (top graph, red line) and improving the funding ratio by about 13% over 20 years. During this time, the City contribution rate is expected to decrease from its current level to less than 30% of pay. All recent benefit changes have been taken into account for these projections.

**Projection of Funding Progress**



**Projection of City Contributions**



## Appendix II: History of Employer Contributions and Funding Progress

### Historical Employer Contributions

Fiscal Year Ending	Actuarially Determined Employer Contribution	Actual Employer Contribution	
6/30/2007	5,385,960	5,385,960	
6/30/2008	6,520,974	6,520,974	
6/30/2009	6,094,397	6,483,000	(1)
6/30/2010	7,179,360	6,790,757	(1)
6/30/2011	8,240,688	8,240,688	
6/30/2012	9,242,173	9,057,080	(2)
6/30/2013	10,133,599	10,133,599	(3)
6/30/2014	11,248,857	11,248,857	
6/30/2015	11,050,091	11,050,091	(4)
6/30/2016	10,884,312	To Be determined	

(1) The City contributed in excess of its FY 2009 ADEC. The City's FY 2010 contribution was reduced by the dollar amount of the FY 2009 overpayment.

(2) The FY 2012 City contribution was reduced by \$185,093 in recognition of additional contributions by International Association of Firefighters (IAFF) employees, which were negotiated and contributed after the establishment of the June 30, 2012 ADEC from the December 31, 2010 valuation.

(3) Fiscal year 2013 ADEC reflects changes made to actuarial assumptions based on an Experience Study. Changes included a decrease in the assumed rate of return from 8.0% to 7.8%. A closed amortization period was also adopted as of 12/31/2011, beginning at 30 years and decreasing each year until 15 years is reached.

(4) Fiscal year 2015 ADEC reflects changes made to assumed return and inflation from 7.8% and 3.3% to 7.6% and 3.1%, respectively. ADEC also reflects change in asset smoothing to immediately recognize all investment gains and losses prior to 12/31/2012.

**Historical Funding Progress**

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Percentage Funded	Unfunded Actuarial Accrued Liability
12/31/2005	275,216,000	290,299,000	94.8%	15,083,000
12/31/2006	278,839,000	308,193,000	90.5%	29,354,000
12/31/2007	293,571,000	315,635,000	93.0%	22,064,000
12/31/2008	287,394,000	326,673,000	88.0%	39,279,000
12/31/2009	280,342,000	337,315,000	83.1%	56,973,000
12/31/2010	276,377,041	359,293,016	76.9%	82,915,975
12/31/2011	264,492,738	372,547,509	71.0%	108,054,771 (5)
12/31/2012	257,898,061	373,083,911	69.1%	115,185,850
12/31/2013	277,267,947	383,879,280	72.2%	106,611,333 (6)
12/31/2014	288,785,965	395,089,321	73.1%	106,303,356

(5) Reflects changes made to actuarial assumptions, based on Experience Study, including a reduction in the assumed return 8.0% to 7.8%.

(6) Reflects changes made to assumed return and inflation from 7.8% and 3.3% to 7.6% and 3.1%, respectively. AVA also reflects change in asset smoothing to immediately recognize all investment gains and losses prior to 12/31/2012.



## **CITY OF LANSING**

**INTERNAL AUDITOR**  
124 W MICHIGAN AVE FL 10  
LANSING MI 48933-1605  
(517) 483-4159  
Fax (517) 483-7630

### **REVIEW AND RECOMMENDATIONS ON STRUCTURE, POLICIES AND PROCEDURES FOR THE CITY OF LANSING OFFICE OF THE INTERNAL AUDITOR**

#### **■ FOLLOW-UP REGARDING REPORTS**

Jim DeLine  
Internal Auditor  
January 14, 2016

- I. Policies and Procedures for Reports
  - a. Annual Reports
    - i. The required Analysis of the Financial Status of the City will be compiled as soon as possible after the submission to the State of Michigan of the City's Comprehensive Annual Financial Report (CAFR).
    - ii. As soon as possible after publishing the Financial Status of the City, the Internal Auditor will update Councilmembers on the City's Long Term Debt.
    - iii. Analysis of the Capital Improvement Plan is provided in conjunction with the budget process.
  - b. Cash Audits
    - i. Cash Audit Checklist
      - 1. Currently in use.
    - ii. Cash Audit Form
      - 1. Currently in use.
  - c. Performance Audits
    - i. Definition of "Performance Audit"
      - 1. Performance audit refers to an independent examination of a program, function, operation or the management systems and procedures of a governmental or non-profit entity to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources.
        - a. Performance Auditing Definition (Feb 2014) INTOSAI and GAO.
      - 2. Definition also to be provided from the City Attorney.

ii. Audit Plan

1. Prior to the start of a performance audit, an audit plan should be developed for the project.
2. The Audit Plan is to include:
  - a. Audit methodology most suited to the operations being audited.
  - b. Expected time frame for steps within the proposed methodology to be conducted.
  - c. The format and general content of the report to be prepared.

iii. Field Work

1. Review of like operations in municipalities similar to Lansing.
2. Review of benchmarks available for like operations.
3. Interviews conducted.
  - a. Have interview summaries reviewed by the interviewee for accuracy / need for follow-up.
4. Conduct on site visits to operations discussed in the interviews.

iv. Draft Report

1. Reviewed by Department Head of unit audited
  - a. In preparation for issuance of a final report, the appropriate Department Head of the unit being audited will be given a draft copy of the report.
  - b. The Department Head of the unit being audited may gather input on the draft from the Director of Finance or other members of the Administration as they feel appropriate.
  - c. Within ten business days of being presented with the draft, the Department Head of the unit will submit, in writing, any or all of the following:
    - i. Items in the draft believed to be factually in error
    - ii. Items in the draft believed to be interpreted incorrectly
    - iii. Responses to recommendations made in the draft
  - d. Following receipt of the written comments, the Internal Auditor will meet with the Department Head or their representative to discuss same and potential action plans if any.
  - e. These written comments may or may not be cause for changes in the draft prior to publication.
  - f. These written comments will be included in the final report. See below.

v. Final Report

1. Definition of "Final Report"

- a. The City Attorney has agreed to issue a formal legal opinion as to the definition of a Final Report for purposes of this document. This document will remain in draft form until receipt of that legal definition.

2. Format

- a. Background / Research
  - i. Include objectives and scope
- b. Analysis
  - i. Include conclusions
  - ii. Include relationship to strategic goals and performance measures
- c. Recommendations
  - i. Include action plans
- d. Comments from head of unit audited and / or Finance Director.

3. Distribution

- a. Presented to appropriate Council Committee and Department Head of unit audited.
- b. Placed on file with Mayor and City Clerk
- c. Distribute to each Councilmember.